BUREAU for ECONOMIC RESEARCH

WEEKLY REVIEW | NUMBER 33 | 4 SEPTEMBER 2026

Renewed Middle East fighting lifts oil as bond yields climb

THE WEEK IN PERSPECTIVE

Katrien Smuts

After a period of relative calm, fighting between Iran and the United States intensified again this week, reversing some of the tentative optimism that had emerged around the Strait of Hormuz. On Sunday, the US struck Iranian military positions on Larak Island in the Strait after reporting that Iranian forces were preparing to deploy sea mines. Iran retaliated against US military positions in the region, prompting further US strikes along Iran's coast, with the US claiming to have hit critical infrastructure. The renewed exchanges marked the most significant escalation in several weeks and once again put commercial shipping through the Strait at the centre of the conflict.

Meanwhile, each party is raising the stakes, and what seemed like progress towards normalisation of trade flows a week ago is at risk of being reversed. There are no known direct negotiations taking place between Iran and the US at the moment, leaving little indication of an immediate diplomatic off-ramp. Earlier in August, there was at least some progress made between Iran and Oman, but this seems to have stalled as well. Iran has also warned against the use of alternative shipping arrangements being pursued through Oman, adding further uncertainty around efforts to normalise traffic through the Strait.

The unrest in the Middle East has caused oil prices to surge once again. Even though there had been no real progress in negotiations or towards a sustained reopening of the Strait in the weeks prior, enough oil shipments were still passing through to keep supply concerns relatively constrained and oil prices stable. Despite US claims to the contrary, this does not seem to be the case now. Since fighting resumed over the weekend, commercial traffic appears to have fallen back considerably. Oil supplies passing through the Red Sea are also experiencing increased strain because of the Iran-backed Houthis remaining an ongoing threat to maritime traffic passing through the Bab el-Mandeb Strait off Yemen. Together, these factors have renewed concerns about near-term oil supply and helped push crude prices sharply higher over the past week.

On Thursday, crude oil prices even rose above $97 for a brief while when Israel's defence minister issued a warning that Israel could target Iranian infrastructure if it were attacked. The warning raised concerns that the renewed US-Iran confrontation could widen again. Oil prices did come down slightly thereafter, closing 6.6% higher over the week at $95.65. While it is still early in the month and much can change, available data suggest that SA fuel prices may increase again at the start of next month.

While the short-term oil market remains highly uncertain, several factors may support oil supply in the medium to long term and underpin our expectation that prices ease from current levels over time. First, Persian Gulf oil producers are exploring alternative routes to export their oil, such as pipelines to ports, thereby avoiding the Strait altogether and reducing their dependence on the Strait of Hormuz. An additional factor that may lower oil prices in the long term is the prospect of renewed investment in Venezuela's oil sector, with the US and Venezuela reportedly moving closer to an agreement that could support higher production over time. However, rebuilding Venezuelan output would take years rather than months, meaning it offers little relief from the immediate supply risks around the Middle East.

Weekly Key Indicators		
	Close	w-o-w
R/$	R16.01	0.1%
R/€	R18.60	-0.2%
R/£	R21.64	-0.4%
$/€	$1.16	-0.2%
Brent crude oil	$95.65	6.6%
Gold	$4 504	-2.0%
Platinum	$1 806	-0.8%
JSE ALSI	116 688	-0.1%
10y gov. bond	8.74	12bps
FRA (1x4)*	7.15	6bps

*Forward rate agreement

In financial markets, the global bond sell-off continued across developed and developing markets, sending yields to multi-year highs in the UK, Japan, Germany and France, among others. Importantly, this is not solely an oil story. Persistent fiscal concerns, heavy government borrowing and expectations that interest rates may need to remain higher for longer are also putting upward pressure on long-term yields. For SA, a sustained rise in global borrowing costs matters even if the SARB eventually starts cutting rates, as it keeps the external benchmark against which government and private-sector borrowing is priced unusually high. In the US, a more hawkish-than-expected speech by Fed Chair Kevin Warsh at last week's Jackson Hole symposium added further pressure. Warsh indicated that the Fed views current inflation as too high and financial conditions as not restrictive enough. His remarks initially pushed expectations for a September rate hike sharply higher, lifting short-term Treasury yields. The dollar strengthened while gold weakened alongside the repricing of US rate expectations. Those expectations were pared somewhat later in the week after Fed Governor Christopher Waller struck a more cautious tone, saying his support for a September hike would depend on the August inflation data.

Before next week's CPI, today's US labour-market data will be the next important test of the Fed outlook. There are expected to be an additional 55 000 jobs in August compared with July, indicating a fairly stable labour market. Interest rate expectations could pivot if the data surprises (both on the upside and downside). Earlier in the week, the Eurozone's elevated August inflation print strengthened expectations for a policy rate increase at next week's ECB meeting.

Locally, bond yields were also higher, with the 10-year yield up by 12 bps on a weekly basis. However, the rand held its ground against a much stronger dollar, depreciating only slightly by 0.1% w-o-w. The rand even dipped below R16 against the dollar, underscoring resilience in the current environment – a trend also evident in a stronger rand against the euro and pound. The rand's current strength is helping to offset some of the local inflationary impact of higher crude oil and refined petroleum product prices.

The local currency performed well despite underwhelming domestic data releases. The Absa Purchasing Managers' Index (PMI) and RMB/BER Business Confidence Index (BCI) point to weak Q3 current conditions. Forward-looking indicators improved somewhat, however, suggesting that firms are slightly less pessimistic about the outlook towards the end of the year. See the detail in the domestic section.

WEEK AHEAD: Q2 GDP LIKELY TO BE WEAK

In SA, second-quarter GDP will be the key release. Our published forecast is for growth of just 0.1% q-o-q, but the latest high-frequency data point to some downside risk and a contraction cannot be ruled out. Even if GDP is broadly flat in Q2 and Q3, growth of around 1.3% for 2026 would still be possible, provided the strong Q1 outcome is not revised materially lower. Worryingly, the latest RMB/BER BCI and Absa PMI suggest that momentum remained weak into Q3. July mining and manufacturing production, due on Thursday, will provide some of the first hard activity data for the new quarter and help assess whether conditions began to stabilise after a weak Q2. On mining, platinum production may also reflect some drag from the five-day safety suspension at Implats' Rustenburg complex towards the end of July. The Q2 current account will also be released on Thursday, after the balance moved into a sizeable surplus of 2.4% of GDP in Q1.

Internationally, the ECB's interest-rate decision will be closely watched. A 25-bps rate hike is widely expected after headline inflation rose to 3.3% in August, its highest level since late 2023, largely due to higher energy prices. Encouragingly, core inflation eased slightly to 2.4%, suggesting that the recent energy shock has not yet translated into a broader acceleration in underlying price pressures. The accompanying statement and guidance will therefore be important for assessing whether policymakers see the September move as sufficient or whether further tightening may still be required.

In the US, August producer and consumer inflation will be particularly important following the sharp repricing of Fed expectations over the past week. Fed Chair Kevin Warsh's hawkish Jackson Hole remarks initially pushed expectations for a September rate hike higher, although subsequent softer labour-market signals have introduced some uncertainty. With core inflation still sticky, another firm CPI print would strengthen the case for a near-term hike, while a softer reading could reinforce arguments for the Fed to remain on hold. The data will therefore be an important input into what is shaping up to be a finely balanced September decision.

Date	Event	Latest
Monday (7 Sep)	SA: Foreign Exchange Reserves (Aug)	$73.5B
Tuesday (8 Sep)	SA: GDP Growth Rate (Q2)	1.9% y-o-y; 0.5% q-o-q
Wednesday (9 Sep)	CN: Consumer Inflation, PPI (Aug)	0.5% y-o-y; 3.5% y-o-y
Thursday (10 Sep)	SA: Mining Production, Manufacturing Production (Jul)	-4% y-o-y; -1.7% y-o-y
Thursday (10 Sep)	SA: Current account (Q2)	2.4% of GDP
Thursday (10 Sep)	US: PPI (Aug)	4.7% y-o-y; 0% m-o-m
Thursday (10 Sep)	EZ: ECB Interest Rate Decision	2.4%
Friday (11 Sep)	UK: GDP, Industrial Production (Jul)	1.1% y-o-y; -0.2% y-o-y
Friday (11 Sep)	US: Consumer Inflation (Aug)	3.4% y-o-y; 0.1% m-o-m
Friday (11 Sep)	US: Michigan Consumer Sentiment (Prel, Sep)	51.7

SA POLITICAL UPDATE

Natasha Marrian

CRUCIAL WEEK FOR RAMAPHOSA AS PANEL REPORT IS VENTILATED IN COURT

Back in October 2022, President Cyril Ramaphosa had prepared a resignation speech following the damning findings of a panel chaired by former chief justice Sandile Ngcobo into the theft of US currency from a couch at his Phala Phala private farm. He was ready to step down after the damning report was handed to former speaker, corruption-accused Nosiviwe Mapisa-Ngcakula.

He was convinced by ANC top leaders and his own close confidantes from the National Union of Mineworkers to halt the dramatic move, and instead, the ANC voted down the report, paving the way for him to stand for re-election at the ANC's 2022 national conference in December that year. Still, it was a touch-and-go moment for Ramaphosa.

As such, the Western Cape High Court hearing of his challenge to the Ngcobo report this week was a long time coming. Ramaphosa's perspective on the controversial report was finally aired in open court. More importantly, the outcome will directly affect the impeachment process now unfolding in Parliament and could materially shape the political pressure Ramaphosa faces over the remainder of his term. Judgement is likely to be reserved in the matter, in which arguments conclude on Friday.

Politically, even if things go Ramaphosa's way, opposition parties will likely appeal the judgement all the way to the Constitutional Court. However, a judgement setting aside the report would give the ANC a much firmer legal basis on which to defend Ramaphosa, rather than relying primarily on political loyalty.

The ANC has been reluctant to openly defend Ramaphosa over Phala Phala after its 2024 election defeat. It was burned both politically and electorally by former President Jacob Zuma on Nkandla, even after the party defended him in defiance of all logic and explanation. The Constitutional Court's Nkandla judgement became one of several important contributors to the ANC's electoral decline ahead of the 2016 local elections, when it lost control of three metros.

But a judgement indicating that the panel had erred on Phala Phala would enable the ANC to hold its ground against the opposition onslaught in parliament, from among others, Zuma's MK Party. It is also likely to enable the ANC's government of national unity partners, the DA in particular, to be more open to voting with the ANC in matters relating to the impeachment committee and its processes.

MADLANGA COMMISSION TURNS FROM SCANDAL TO SYSTEMIC SOLUTIONS

Former Justice Mbuyiseli Madlanga has become a household name – the commission has captured the imagination of SA, on the receiving end of the implications of a failing criminal justice system. Testimony before the commission this week indicated that Madlanga and his co-commissioners are keenly aware of their responsibilities to provide hope to a nation battered by crime and a lack of accountability for criminals due to police negligence or worse, complicity.

The commission heard testimony from Dr Mark Shaw, executive director of the Geneva-based Global Initiative Against Organised Crime. Dr Shaw testified to the extent to which organised crime cartels are operating - and flourishing - in SA. Shaw told the commission that SA ranks 7th of 193 countries in organised crime penetration and activity, preceded only by countries such as Mexico and Colombia.

This took place after the former Hawks head, Lieutenant General Godfrey Lebeya, came under sustained questioning over his interactions with sources linked to the infamous "Big 5" criminal cartel, which was first identified before the commission. On the same day, it emerged that the deputy head of crime intelligence, Feroz Khan, was dismissed from the SA police after failing to participate in the disciplinary processes against him. Khan is at the centre of allegations of capture of the criminal justice system after evidence linked him to the now abandoned prosecution of crime intelligence head Dumisani Khumalo, who headed operations targeting the "Big Five" cartel.

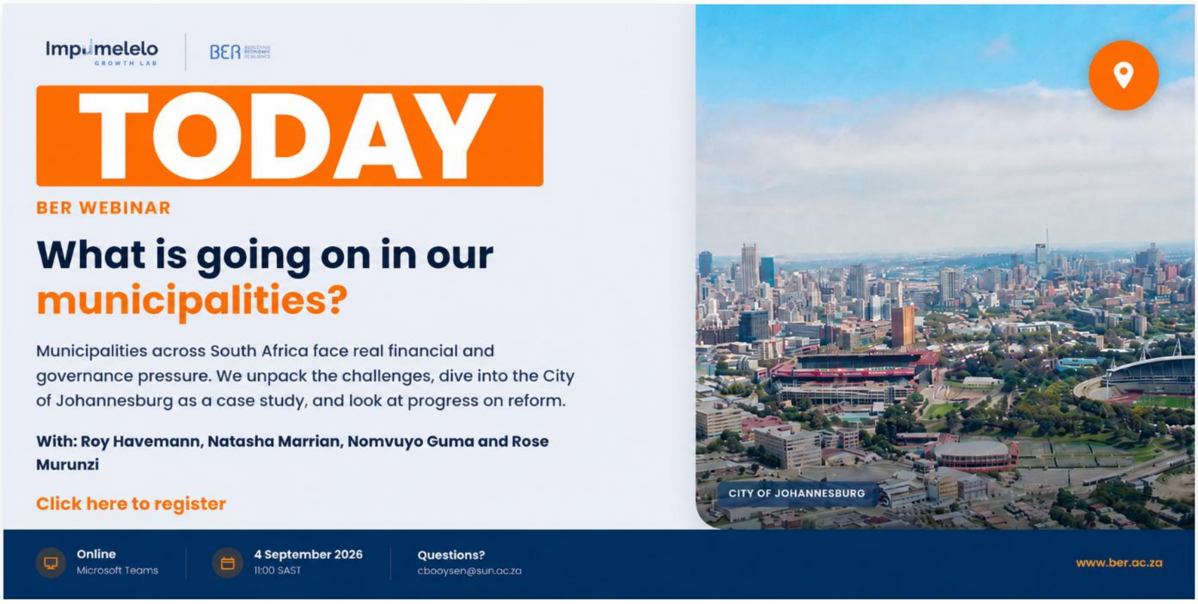
Shaw's evidence was significant because it shifted the commission's focus from individual allegations towards the wider institutional conditions that allow organised crime to flourish.

ANC COUNCILLOR SUBMISSION CHAOS

The ANC is heading to court by the end of the week to challenge the Electoral Commission of SA's decision to eliminate some of its councillor candidate submissions. The ANC failed to submit around 150 public representative candidates for three municipalities in the Eastern Cape by the IEC deadline on Friday last week.

The ANC argues that a “technical glitch” in the IEC system resulted in this failure, while the IEC has dismissed this argument. The BER understands that the ANC is poised to challenge the matter in court by Friday should the IEC fail to allow the registration of its candidates.

The stakes are particularly high in the Mangaung metro, where the ANC is already vulnerable and where exclusion of candidates could materially alter the electoral contest, as well as councils in the Eastern Cape.



DOMESTIC DATA

Kelebogile Mabitsi

BUSINESS CONFIDENCE STABILISES FOLLOWING GLOBAL ENERGY SHOCK

The **RMB/BER BCI** moved sideways from 39 in Q2 to 38 in Q3, which is two index points below its long-term average. The more important message is that the sharp Q2 deterioration did not deepen, but there was no meaningful rebound either. Sentiment declined amongst four of the five sectors, led by new vehicle dealers. Manufacturers were the most pessimistic. On the positive side, retailers’ sentiment increased by 9 index points, aligning with its long-term average of 40. The composite purchasing-price indicator also fell noticeably, suggesting that the Q2 energy-cost shock is starting to unwind in firms’ cost structures, although manufacturing remains an exception.

WEAKER BUSINESS ACTIVITY BRINGS ABSA MANUFACTURING PMI TO 8-MONTH LOW

The **Absa Manufacturing PMI** contracted further, from 46.8 in July to 45.8 in August, marking its fourth consecutive decline. Business activity plummeted to its lowest level this year, at 40.2, while new sales orders softened from July’s rebound. Respondents pointed to subdued demand, weak consumer confidence and softer discretionary spending. Although the purchasing price index was unchanged at 67.2, rising energy and transport costs continued to squeeze margins, while the stronger rand alleviated import expenses. Positively, the expected business conditions index rose sharply back above 50, suggesting that manufacturers view at least some of the current weakness as temporary despite subdued orders and production.

In turn, the S&P Global PMI recorded another expansion, ticking up from 50.3 in July to 50.5 in August. This was driven by renewed demand as reflected by the rise in output and new orders. On the downside, cost pressures intensified, resulting in a headcount reduction as well as higher selling prices. Businesses are optimistic about future activity due to stronger demand, more tendering opportunities and new product development.

VEHICLE SALES REMAIN ROBUST, WHILE CREDIT GROWTH SLOWS SLIGHTLY

Private-sector credit growth eased for a second consecutive month, from 7.8% y-o-y in June to 7.4% in July. Meanwhile, new vehicle sales maintained their momentum, rising to 57.9K units in August, up from 57.7K units in July. Annual sales rose by 11.4%, down from 11.9% in July. Passenger and light commercial vehicle sales both remained strong, suggesting that vehicle demand continues to hold up despite broader weakness in household sentiment and business confidence. Quarterly, local vehicle sales growth is likely to soften from Q2 based on the seasonally adjusted figures for the first two months of Q3. Conversely, export sales declined further by 11.9% y-o-y, led by lower sales for light commercial vehicles.

INTERNATIONAL DATA

Nadia Matulich

EUROZONE INFLATION RISES AS ENERGY SHOCK RE-EMERGES

Starting with inflation, euro area headline inflation rose to 3.3% y-o-y in August, from 2.9% in July. Energy was the main driver, with energy prices rising by 14.3% y-o-y compared to 10.3% in July. Services inflation eased to 3.0% from 3.3%, while non-energy industrial goods inflation edged up to 1.2% from 0.9% and food, alcohol and tobacco inflation was unchanged at 1.2%. In m-o-m terms, prices rose by 0.4%, largely reflecting a 2.9% increase in energy prices. Encouragingly, core inflation eased from 2.5% to 2.4%. With food inflation unchanged, this suggests that underlying inflationary pressures remain relatively subdued despite the recent energy price shock.

That distinction matters for the ECB. The case for another hike has strengthened, but the easing in core and services inflation suggests policymakers are still dealing primarily with an external energy shock rather than a broad-based resurgence in domestic inflation.

PMIs POINT TO RESILIENCE IN US AND EUROZONE, WHILE CHINA REMAINS MIXED

Turning to the PMIs (the headline data is in the table below) and starting with the US, the ISM Manufacturing PMI showed that production, new orders and employment all remained in expansionary territory, while price pressures remained elevated. Comments focused on business conditions remaining positive, although firms continued to highlight challenges stemming from the “dynamic nature of the administration’s policies”, as well as chip shortages and rising costs. The ISM Services PMI registered another strong increase. Business activity and new orders remained firmly in expansionary territory, although the employment index came in below the neutral 50-point mark.

The S&P Global US Manufacturing PMI was unchanged, supported by strong output volumes and new orders. Employment also increased. Input cost inflation eased further but remained elevated, with manufacturers continuing to pass higher costs through to consumers. The Services PMI strengthened to 56.5, reflecting stronger new business, easing inflationary pressures and stronger employment, while expectations for the year ahead remained optimistic. In line with these improvements, the Composite PMI rose to 56.0, with comments referring to easing pressures from the crisis in the Middle East (at the time of the survey).

In the Eurozone, the Manufacturing PMI rose to 52.7, with factory output and new orders picking up at their fastest rates since 2022. Inflationary pressures eased, although they remain elevated relative to pre-war levels. Confidence also improved, with 12-month-ahead expectations above their long-run average. The Services PMI edged down, but new business and employment increased. Price pressures remained elevated for both input and output prices. The Composite PMI was unchanged at 52, with activity and employment continuing to expand. Input price pressures declined slightly, while output prices continued to increase at roughly the same rate as in July. Confidence was similarly stable, remaining above Q2 levels, although growth expectations remained relatively weak.

China's official manufacturing PMI improved to 49.8 from 49.2, remaining just below the expansion threshold. Encouragingly, both production and new orders moved above 50, suggesting some improvement in factory activity and demand. Input prices were also elevated, feeding through into higher output prices. The non-manufacturing PMI was unchanged at 49.0, with a more pronounced contraction in construction than in services. Similar to manufacturing, input prices were elevated, although selling prices remained in contractionary territory. In both surveys, the outlook remained expansionary, although firms were slightly more downbeat than in July. As such, the Composite NBS PMI edged up by 0.2 points to 49.5, remaining in contractionary territory.

The RatingDog China General Manufacturing PMI rose to 51.5 in August from 50.9 in July, driven by faster expansions in output, new orders and exports. Input price inflation accelerated for the first time since April, while output prices were marginally reduced. Employment was relatively unchanged. The 12-month outlook remained positive, reflecting expectations of stronger demand, although optimism fell to its lowest level since January. The Services PMI also strengthened, driven by stronger business activity and improved domestic demand. Similar to manufacturing, input prices increased, although service providers were able to pass some of these higher costs through to output prices. Forward-looking sentiment also improved from the July low, supported by business expansion plans, new projects and strategic changes.

The divergence between the official and RatingDog surveys remains notable: the official composite still points to a mild contraction, while the private-sector survey suggests a firmer expansion. This may reflect differences in firm composition, but it also reinforces the unusually uneven nature of China's current recovery.

Country		Index	Level	Change
US	S&P	US Manufacturing	53.9	0.0
		US Services	56.5	+1.9
		US Composite	56.0	+1.5
	ISM	Services	55.4	+1.3
		Manufacturing	54.6	-1.0
China	RatingDog	General Manufacturing	51.5	+0.6
		General Services	51.4	+1.0
		Composite Output Index	52.1	+1.3
	NBS	Manufacturing	49.8	+0.6
		Non-Manufacturing	49.0	0.0
		Composite PMI Output Index	49.5	+0.2
EZ	S&P	Manufacturing	52.7	+0.8
		Services	51.6	-0.1
		Composite	52	0.0

FORECAST UPDATE

We have made a small upward adjustment to our near-term Brent crude oil assumption, reflecting the recent price increase. The risks around the oil outlook remain two-sided, however, given ongoing geopolitical uncertainty and the possibility of both renewed supply disruptions and further easing in tensions.

At the same time, the rand has been somewhat stronger than previously assumed. The firmer currency offsets some of the inflationary impact from higher oil prices, and we have therefore left our consumer inflation forecasts unchanged. We continue to expect headline CPI to average 4.5% in 2026Q3 and 4.2% for the year as a whole.

We have also made no changes to our growth or interest-rate forecasts. We continue to expect real GDP growth of 1.3% in 2026 and the policy rate to remain unchanged for the rest of the year before easing gradually in 2027. We will reassess the growth outlook after next week's Q2 GDP release, with particular attention to both the second-quarter outcome and any revisions to the first-quarter data.

	Actual		Forecast		Next release/meeting	
	2025	2026Q2	2026Q3	2026		
Brent crude oil ($, spot, avg.)	68.83	97.05	86.03	84.90	n/a	
ZAR/USD (avg.)	17.88	16.47	16.38	16.43	n/a	
Policy interest rate (%, end of period)	7.25	7.00	7.00	7.00	23-Sep-2026	
Headline CPI (y-o-y % change)	3.2	3.3	4.5	4.2	23-Sep-26	Aug
FNAB inflation (y-o-y % change)	4.1	3.9	1.2	2.4	23-Sep-26	Aug
Headline PPI (y-o-y % change)	1.5	6.7	6.3	5.4	30-Sep-26	Aug
	2025	**2026Q1**	**2026Q2**	**2026**		
Real GDP growth (seasonally adjusted)						
(y-o-y % change)	1.1	2.0	1.3	1.3	8-Sep-26	2026Q2
(q-o-q % change)		0.5	0.1			

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.

CONTACT US

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

Click **here** for previous editions of this publication.
Please refer to the glossary on the **BER website** for explanations of technical terms.

Stellenbosch UNIVERSITY IYUNIVESITHI UNIVERSITEIT

BER BUREAU for ECONOMIC RESEARCH