

WEEKLY REVIEW | NUMBER 16 | 8 MAY 2026

Markets embrace geopolitical optimism, while local political risks simmer

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

Although there have been many developments around the US-Iran conflict since the last Weekly, we are essentially still in the same position as we were two weeks ago. ‘Project Freedom’ (the US-led effort to escort vessels through the Strait of Hormuz) was followed by renewed Iranian strikes, reportedly targeting US-linked shipping and UAE infrastructure, before tensions eased somewhat again. The latest development is a short US-drafted Memorandum of Understanding now under consideration in Tehran via intermediaries in Pakistan and Oman. While no agreement has yet been reached, US officials suggest this is the closest the parties have come to a deal since negotiations stalled at the end of February. Yet, the US confirmed this morning that it struck military targets in Iran after the country fired on three Navy destroyers. The US still says a deal is possible.

The key sticking point remains uranium enrichment. Washington continues to push for strict limits on Iran’s enrichment capacity and missile programme in exchange for phased sanctions relief and maritime guarantees, while Iran appears unwilling to surrender enrichment rights outright. Traffic through Hormuz remains constrained, although not fully disrupted, keeping energy markets nervous and reinforcing the sense that the current situation is less of a ceasefire than a negotiation conducted under continued military pressure. Elsewhere in the region, the Lebanon ceasefire is technically holding, but only narrowly, despite renewed strikes reported around Beirut.

The Brent crude oil price moved lower, after briefly exceeding \$115/bbl at the height of Project Freedom, amid growing optimism that a US-Iran deal could be reached in the near term. Also notable development was the UAE’s formal exit from OPEC+ at the start of the month, following years of tension around production quotas and the country’s desire to expand output capacity. In practice, however, little changes immediately, as UAE exports and broader regional production remain constrained by the conflict and continued disruption in the Strait of Hormuz. However, in the long-term the UAE is set to add more to global supply.

For now, with Middle Eastern exports under pressure, US refined fuel exports climbed to 8.2 million barrels per day last week, around 20% higher than a year ago. However, declining US stockpiles suggest this cannot be sustained indefinitely, particularly given the limited

Weekly Key Indicators		
	Close	w-o-w
R/\$	R16.31	-2.4%
R/€	R19.20	-2.0%
R/£	R22.23	-2.1%
\$/€	\$1.18	0.4%
Brent crude oil	\$97.87	-14.3%
Gold	\$4 755	2.9%
Platinum	\$2 086	6.5%
JSE ALSI	119 153	3.4%
10y gov. bond	8.58	-22bps
FRA (1x4)*	7.01	-8bps

*Forward rate agreement

appetite for new upstream investment. As a result, the physical oil market remains relatively tight despite the recent price pullback, with many analysts arguing that financial markets are underpricing geopolitical risk.

In a modest boon for South African exports, coal and iron ore prices both climbed back towards \$112/tonne this week. Gold prices remained elevated, although safe-haven momentum softened somewhat later in the week, when platinum also briefly slipped back below \$2000/oz.

Global financial markets remain caught between two competing narratives. On the one hand, equity investors have increasingly embraced the prospect of a near-term US-Iran agreement, helping push major indices in the US, Europe and Japan sharply higher this week. The S&P 500 and Nasdaq again touched record highs, while Japan's Nikkei briefly traded above 62 000 for the first time, supported by strong technology earnings and falling oil prices. Airline and consumer shares also rallied on hopes that the Strait of Hormuz could soon reopen more fully.

On the other hand, bond markets continue to paint a far more cautious picture. Government bond yields across developed markets remain elevated as investors worry that a further extension in the disruption in Middle Eastern energy flows (even a partially) could entrench inflation and delay interest-rate cuts. In essence, financial markets are divided with equity investors increasingly trading a 'soft landing plus peace deal' scenario, while bond markets continue to price in geopolitical risk, sticky inflation and structurally higher interest rates. Several analysts have noted that the divergence between buoyant equity markets and stressed bond markets is becoming increasingly difficult to reconcile if oil prices remain elevated for an extended period.

Britain's bond market came under additional pressure this week, with long-term borrowing costs rising to their highest levels since 1998. Thirty-year gilt yields climbed to 5.79%, while ten-year yields briefly traded above 5.1%. However, geopolitics and higher inflation expectations are only part of the story. Markets also appear increasingly nervous about Britain's fiscal trajectory ahead of yesterday's local elections, with concern that a weak showing for Labour could trigger political instability and pressure for looser fiscal policy. The move higher in gilt yields therefore increasingly resembles a broader risk premium on the UK itself, rather than simply a reflection of higher global interest rates.

SA markets remained relatively resilient amid the global volatility. The rand has held broadly stable around R16.4/\$, even strengthening a bit over the course of last week against the major global currencies, supported in part by stronger commodity prices and continued foreign interest in South African fixed-income markets. The 10-year government bond yield moved lower w-o-w, although it has stayed above 8% since the outbreak of the war.

The JSE increasingly reflects the uneven nature of the global environment. Resource shares remain well supported by elevated precious metal and bulk commodity prices, while domestically exposed counters continue to face pressure from rising fuel and logistics costs. Nevertheless, the JSE still managed to post a solid weekly gain, supported largely by resource counters and improving global risk sentiment.

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South Africa's bumpy road to 3%: politics, potholes and policies

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WEEK AHEAD: US INFLATION IN FOCUS, WITH SA LABOUR AND ACTIVITY DATA ALSO KEY

The main focus next week will be the US April inflation data on Tuesday. Consensus points to headline CPI easing to 3.3% y-o-y, from 3.6%, although the monthly print is expected to remain elevated at 0.5%. Core inflation is expected to hold at 2.6% y-o-y. This will be important for the Fed, which remains caught between softer activity signals and renewed upside inflation risks stemming from higher energy prices. The PPI print on Wednesday, alongside retail sales on Thursday and industrial production on Friday, will add further colour on whether the energy shock is feeding through into broader price pressures and demand conditions.

Before then, the US nonfarm payrolls report for April will be released later today, after this Weekly has gone out. Markets expect a softer gain of around 73k jobs, after March's stronger-than-expected 178k increase, while the unemployment rate is expected to remain unchanged at 4.3%. A downside surprise would reinforce concerns about a cooling labour market, but a firmer print could complicate the Fed's task by suggesting that demand remains resilient despite higher prices.

Also later today, local political attention will be on the Constitutional Court judgement in the Phala Phala matter, which relates to the EFF's challenge to Parliament's decision not to proceed with impeachment proceedings against President Cyril Ramaphosa.

On the domestic economic front, Tuesday's 2026Q1 unemployment rate will be the key release. The unemployment rate declined to 31.4% in Q4, but we often see an uptick in the first quarter as school leavers enter the job market. Manufacturing production for March is also due on Tuesday, with expectations pointing to another weak print, while mining production on Thursday will test whether February's strong 9.7% y-o-y increase was sustained.

Globally, China's April inflation and PPI data on Monday will also be watched for signs that domestic price pressures are firming. CPI was previously at 1% y-o-y, while PPI had only recently returned to positive territory. In Europe, the ZEW sentiment indices on Tuesday are

expected to remain deeply negative, though slightly less weak than in April, while Eurozone industrial production on Wednesday is expected to show only a modest monthly gain. UK GDP and production data on Thursday will round out a busy global calendar.

Markets will also look ahead to next week's Trump-Xi meeting in Beijing. Although expectations for major breakthroughs remain limited, investors will watch closely for any signs of easing tensions around trade, technology restrictions and the broader geopolitical environment, particularly given China's central role in global commodity demand and its relationship with Iran.

Date	Event	Latest
Monday (11 May)	CN: Consumer Inflation, PPI (Apr)	1% y-o-y; 0.5% y-o-y
Tuesday (12 May)	EZ, DE: ZEW Economic Sentiment Index (May)	-20.4; -17.2
Tuesday (12 May)	SA: Unemployment Rate (Q1)	31.4%
Tuesday (12 May)	SA: Manufacturing Production (Mar)	-2.8% y-o-y; -2.2% m-o-m
Tuesday (12 May)	US: Consumer Inflation (Apr)	3.3% y-o-y; 0.9% m-o-m
Wednesday (13 May)	US: PPI (Apr)	4% y-o-y; 0.5% m-o-m
Wednesday (13 May)	EZ: Industrial Production (Mar)	-0.6% y-o-y; 0.4% m-o-m
Thursday (14 May)	UK: GDP, Industrial Production (Mar)	1% y-o-y; -0.4% y-o-y
Thursday (14 May)	SA: Mining Production (Mar)	9.7% y-o-y; 2.3% m-o-m
Thursday (14 May)	US: Retail Sales (Apr)	4% y-o-y; 1.7% m-o-m
Friday (15 May)	US: Industrial Production, Manufacturing Production (Apr)	0.7% y-o-y; 0.5% y-o-y

SA POLITICAL UPDATE

Natasha Marrian

ANTI-IMMIGRANT SENTIMENT SMOLDERS, AS POLITICIANS FAN THE FLAMES

Anti-immigrant protests spread across two provinces this week, expanding in Gauteng from Johannesburg to the East Rand into Tembisa and Vosloorus. In KwaZulu-Natal, foreign-owned shops were shut by protestors in various parts of the province.

The most severe spate of protests against undocumented foreigners took place in 2008, when 62 people were killed across the country. While protests have so far remained largely peaceful, security agencies remain on high alert given the risk of escalation. More concerning is that political parties across the spectrum are seeking to capitalise on the protests ahead of the November 4 local government election.

ActionSA joined protests in Gauteng and the Eastern Cape, consistent with its longstanding anti-immigrant positioning. The Patriotic Alliance and Jacob Zuma's MKP have similarly sought to capitalise on the growing anti-immigrant sentiment associated with the March and March Movement and Operation Dudula. In KwaZulu-Natal, the ANC in eThekweni publicly backed the protesters, while by late Thursday the ANC Youth League on Gauteng's East Rand was mobilising communities to participate in the demonstrations.

Meanwhile, the national government is moving to contain the diplomatic fallout after several African governments issued warnings to their citizens in SA. Nigerian foreign minister Bianca Odumegwu-Ojukwu warned of "extra-judicial killings" in a social media post after meeting International Relations Minister Ronald Lamola. The Nigerian government is sending a delegation to SA and has announced evacuation plans for its nationals.

However, neither the ANC nor the DA has directly condemned the protests. The Presidency, on Thursday, was adamant that South Africans are not xenophobic and its spokesperson said that immigration was a pressure point not unique to SA but prevalent worldwide.

Minister in the Presidency and Cabinet spokeswoman Khumbudzo Ntshaveni went further, saying South Africans were within their rights to protest against the “spiralling illegal immigration challenge”, but added that violence linked to these protests was “not acceptable”. The DA called for calm and respect for human rights, but also urged tightening laws and strengthening border controls. The EFF condemned the protests, in line with its open border policy.

The protests remain a key political risk ahead of the local elections, particularly given how quickly isolated incidents could escalate into broader unrest.

NOVEMBER 4 ELECTION DATE SET

President Ramaphosa has announced November 4 as the date for the upcoming local government election. The announcement sets in motion a tight election timetable set by the Electoral Commission of SA (IEC), which includes registration weekends and processes for selecting and nominating councillor candidates.

In the past, provinces such as KwaZulu-Natal have seen a notable rise in politically related killings during this hotly contested period. The IEC met MKP this week to address the worrying decline in support for democracy in KwaZulu-Natal. MKP is continuing its court challenge to the 2024 general election results, with the matter scheduled for a hearing on June 18. The party continues to allege electoral fraud despite failing to provide evidence, and the election being declared free and fair by observers.

TREASURY LAYS DOWN THE LAW AMID JOBURG FINANCIAL COLLAPSE

The City of Johannesburg could be placed under administration – insiders say a decision on this is now urgent, but it would have to be taken by the Cabinet. However, there is a deep awareness at the national government level that even this drastic step would not culminate in an immediate improvement in the City’s financial health.

A leaked National Treasury letter this week underscored the severity of Johannesburg’s financial crisis. The metro - the country’s largest municipal economy, contributing around 16% to national GDP - was instructed to halt an allegedly unlawful wage agreement with the SA Municipal Workers’ Union. Finance Minister Enoch Godongwana warned that the “politically facilitated” deal could undermine the City’s financial sustainability beyond the current term of office and threatened to withhold Johannesburg’s equitable share should the agreement proceed. The City remains under severe fiscal strain, with revenue collection persistently underperforming and overspending continuing.

The letter forms part of the Treasury’s ongoing engagement with the City over its deteriorating finances, although critics argue that both municipal and provincial authorities ignored warning signs for months. Under Section 71 of the Municipal Finance Management Act, municipalities are required to submit monthly budget and expenditure reports to provincial and national treasury structures, thereby enabling early intervention in cases of

fiscal distress. Despite repeated indications of mounting financial pressure, the wage agreement was concluded last year and ratified by the ANC/EFF/PA coalition. Provincial oversight has also come under scrutiny, particularly after Premier Panyaza Lesufi replicated the Johannesburg coalition arrangement at provincial level by appointing the EFF's Nkuleleko Dunga as Gauteng finance MEC.

The City of Johannesburg is effectively in crisis, with insiders anticipating it may take years to recover from the current financial mess as earlier efforts by both the City and the national government to halt the decline have failed. This, coupled with crumbling infrastructure that delivers key services, does not bode well for the ANC/EFF/PA governing coalition ahead of the November 4 election.

DOMESTIC DATA

Nadia Matulich

EXPANSIONARY PMIS SIGNAL FRONT LOADING AND RISING INPUT COST PRESSURE

It was a data-light week for the South African economy, and, reassuringly, a positive one. The Absa PMI rose from 49 to 52.6, moving firmly above the neutral 50 mark and signalling an expansion for the first time since September 2026. This improvement was mainly driven by rebounds in business activity and new sales orders, pointing to a stronger start to Q2 after a weak Q1. Inventories also increased in April. Expected business conditions also improved somewhat in April, although the index remained in contractionary territory. However, the purchasing prices index rose to 85.6 and now stands more than 30 points above the low levels seen at the start of the year, reflecting higher oil-linked input costs and a slightly weaker rand. Indeed, the combined rise in inventories, purchasing prices and activity may suggest some front-loading drove the rise in demand, which could thus be short-lived.

The S&P Global South Africa PMI was broadly aligned with the Absa PMI. The headline index increased from 50.8 to 51.6, also signalling improved business conditions. One of the key concerns from this PMI was the fastest rise in input prices in 30 months, driven by higher input costs and fuel prices. Demand levels also improved, supported by anticipated shortages and the front-loading of purchases. Unlike the Absa results, employment rose for the third consecutive month. Expected business conditions also improved for the first time in five months, although broader geopolitical conditions remain a concern.

DOMESTIC NEW VEHICLE SALES REMAIN STRONG

According to naamsa, new vehicle sales rose by 5 512 units to reach 47 979 units for the year to date. This was the best April performance since 2013. On a seasonally adjusted basis, however, sales growth ticked along by just 0.1% m-o-m. Export sales have been very volatile on a monthly basis and were down by 4% y-o-y in April. The stronger domestic performance continues to be supported by lower interest rates and improved sentiment, but Naamsa cautioned that macroeconomic headwinds, particularly elevated energy prices, anticipated higher inflation and a potential reversal in interest rates, may slow this momentum.

INTERNATIONAL DATA

Nkosinathi Nonkonyana

US ISM SERVICES PMI EASES AMID RISING ENERGY PRICES

The ISM services PMI eased from 54 in March to 53.6 in April, slightly below market expectations of 53.7, but the 22nd consecutive month of expansion. The subindexes had mixed results: business activity rose to 55.9 in April from 53.9 in March, while new orders fell to 53.5 from 60.6 in the previous month. The price index remained unchanged at 70.7 in April, following a 7.7-point rise in March, compared to February, when the energy price surge first hit the region. Meanwhile, the ISM manufacturing print remained unchanged, at 52.7, from March. While slightly below market expectations of 53, the result marked the fourth consecutive month of expansion, signalling the sector's resilience. Three of the five core subindexes, namely new orders, production and supplier deliveries, were in the expansionary territory, while employment and inventories were in contraction.

US JOLT'S JOB OPENINGS EASE

Job openings edged lower to 6.87 million in March from 6.92 million in February, slightly above the 6.84 million expected by the market. Openings declined in professional and business services but increased in finance and insurance. Overall, job openings were lower than both February levels and the 2025 average, suggesting some cooling in labour demand and a slowing of hiring momentum. However, the broader picture remains relatively stable, as the decline in openings was marginal. Hiring actually increased during the month, although this was offset by a rise in total separations (quits and layoffs). The nonfarm payrolls due later today will provide a better picture of the health of the labour market.

CHINESE BUSINESS ACTIVITY EXPANDS AT A FASTER PACE IN APRIL

The RatingDog Composite PMI rose from 51.5 in March to 53.1 in April as business activity increased across the manufacturing and services sectors. This was supported by higher new orders and larger outstanding work, suggesting that demand remains strong, while employment fell slightly from March. Cost pressures rose further in April amid a sustained surge in global oil prices, and manufacturing firms subsequently raised selling prices, passing the higher costs on to consumers, enabling charge inflation to rise to a 31-month high. Conversely, service providers lowered their prices because overall cost burdens remained manageable.

EUROZONE FRICES INCREASE AS RETAIL SALES SLOW

Eurozone (EZ) producer prices rose by 2.1% y-o-y in March, following the 3% y-o-y decline in February. This exceeded market expectations of 1.8% y-o-y and marked the steepest increase since March 2025. Similarly, prices rose by 3.4% m-o-m in March, rebounding from the 0.6% m-o-m decline in February. This marked the sharpest monthly rise since August 2022, driven mainly by a 11.1% surge in energy prices. Last week, preliminary consumer inflation data showed a 3% y-o-y jump in April.

Meanwhile, retail sales increased by 1.2% y-o-y in March, following a 1.3% y-o-y rise in February, marking the weakest growth since July 2024. Although food, drink and tobacco sales increased by 0.8% y-o-y, and non-food product sales rose by 2.3% y-o-y, automotive

fuel sales declined by 2.1% y-o-y, due to rising fuel costs triggered by the war. Retail sales contracted by 0.1% m-o-m in March, marking the third sequential monthly decrease.

FORECAST UPDATE

Our full forecast has been updated. Premium Insights clients can find [Excel summaries of the 2026Q2 update here](#), or [click here for Economic Outlook](#), which has the detailed data in annexures at the back, along with the comprehensive narrative behind our forecast and the relevant risks.

The most significant change relative to our interim forecast published in the previous Weekly is that we now expect an interest rate hike in the upcoming Monetary Policy Meeting. Based on recent communication from the SA Reserve Bank (SARB), we believe they are likely to hike the policy rate prudently. A small, early adjustment of 25bps, followed by more only if needed, would be aimed less at the current fuel shock, which higher interest rates cannot fix, and more at preventing second-round effects from taking hold.

	Actual		Forecast		Next release/meeting	
	2025	2026Q1	2026Q2	2026		
Brent crude oil (\$, spot, avg.)	68.83	73.83	98.3	82.8	n/a	
ZAR/USD (avg.)	17.88	16.36	16.44	16.46	n/a	
Prime interest rate (%, end of period)	11.25	10.25	10.50	10.50	28-May-26	
Headline CPI (y-o-y % change)	3.2	3.3	4.7	4.0	20-May-26	Apr
FNAB inflation (y-o-y % change)	4.1	3.9	3.8	3.9	20-May-26	Apr
Headline PPI (y-o-y % change)	1.5	2.0	7.8	5.4	28-May-26	Apr
	2025	2025Q4	2026Q1	2026		
Real GDP growth (seasonally adjusted)						
(y-o-y % change)	1.1			1.3	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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