BUREAU for ECONOMIC RESEARCH

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Markets cheer tentative US-Iran progress as attention broadens to local politics

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

The focus remained on the war in Iran, but it was almost (eerily) all good news this week. Local political developments were more eventful. The Democratic Alliance (DA) elective conference put party growth – rather than mere stabilisation – firmly on the table. Meanwhile, Economic Freedom Fighters (EFF) leader Julius Malema received a five-year prison sentence, which he is set to appeal. Scroll down to the SA politics section for Natasha Marrian's take (and **click here for her detailed overview of the DA conference**). Another noteworthy development was President Cyril Ramaphosa's appointment of Roelf Meyer as US ambassador. Beyond SA, Hungary's election outcome also drew significant attention, with Péter Magyar's Tisza party securing a two-thirds majority and ending Viktor Orbán's 16-year rule. Beyond potential domestic policy shifts, this could have implications for EU relations, governance reforms and regional dynamics.

Turning back to the Middle East, while the first round of talks between Iran and the US was unsuccessful, there are tentative signs of progress towards ending the war. The ceasefire is holding for now, with an extension reportedly under consideration. Further talks are expected in Islamabad, with Pakistan emerging as an unexpected mediator. The US has now effectively 'blockaded' the Strait of Hormuz, preventing ships exiting Iranian harbours from passing, although satellite tracking shows that inbound vessels still pass. This means Iran can continue producing oil and filling tankers, for now, but the aim is clearly to squeeze oil revenues. The US has also reinstated some individual sanctions, while Iran is pushing for the removal of both primary sanctions (on Iran) and secondary sanctions (on third countries buying its oil).

Beyond the Strait's logistics, the biggest sticking point remains Iran's nuclear programme. Reports suggest the US may be willing to accept a time-bound moratorium on uranium enrichment rather than a permanent ban (with the US demanding 20 years and Iran offering five). While the nitty-gritty of a deal might take months to negotiate, it seems the contours of a deal are starting to emerge. Also positive was yesterday's announcement of a 10-day truce between Israel and Lebanon, where heavy fighting had continued.

This does not mean the wars in the Middle East are over, and even *if* they end now, markets will take time to normalise. There is lasting damage to infrastructure – particularly to LNG – that could take years to repair. On the logistics front, hundreds of ships remain stuck in the Strait and must first clear existing backlogs before normal trade flows can resume (and then they, and their insurance companies, need confidence they can safely traverse the Strait again). In addition, shut-in oil production will need to be brought back online, a process that is neither immediate nor guaranteed, especially if storage, transport and insurance constraints persist. As a result, even in a de-escalation scenario, supply is likely to recover only gradually, keeping energy markets tight and price volatility elevated for some time. Renewed hostilities - or even a late-night social media post - could easily turn the more positive sentiment around.

Despite ongoing risks, crude oil prices eased over the past week and stabilised around $95/bbl. Jet fuel prices surged amid concerns that physical shortages are hitting the European aviation market, as the International Energy Agency said the region has only about six weeks of supply left.

FUEL PRICE EXPLAINER: ANSWERING YOUR QUESTIONS

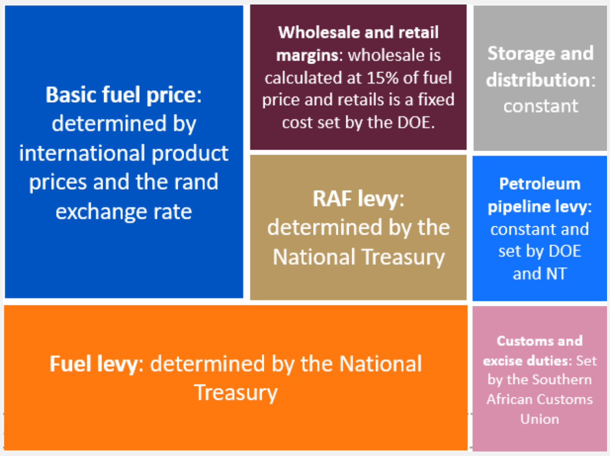
The recent surge in fuel prices reflects a complex interaction between global supply disruptions, refined product markets and domestic pricing mechanics. We have received a number of questions on these dynamics, from what is driving the increase to how prices are calculated and what lies ahead. Below, Tracey-Lee Solomon unpacks the key factors in more detail.

Why have fuel prices increased so much?

Global fuel prices have risen sharply due to supply disruptions and higher refined product prices. While crude oil is the underlying input, the more relevant driver for SA is the price of refined petroleum products, which has increased more significantly due to constraints in both production and logistics.

How are fuel prices calculated in SA?

Fuel prices in SA are regulated and consist of several components, including wholesale and retail margins, storage and distribution costs, and various taxes and levies (such as the RAF and general fuel levies). Many of these components are fixed or adjusted infrequently.



As a result, changes in fuel prices are primarily driven by the Basic Fuel Price (BFP), which is adjusted monthly. The BFP reflects the rand-denominated cost of importing refined fuel and is determined by two key factors: international refined petroleum product prices and the rand exchange rate. Refined product prices are used rather than crude oil prices because SA imports most of its fuel following the closure of SA-based refineries. While crude oil and refined product prices generally move together, the relationship is not one-to-one, particularly when refining capacity is constrained.

Why are diesel prices rising faster than petrol prices?

The divergence reflects differences in import sources and pricing benchmarks. Petrol imports are relatively diversified and priced off Mediterranean and Singapore benchmarks. By contrast, diesel and illuminating paraffin imports are more heavily concentrated in the Middle East and are priced off Mediterranean and Arab Gulf benchmarks.

Given that Arab Gulf benchmarks have risen more sharply, diesel and paraffin prices have risen faster. In addition, damage to refining capacity has tightened the supply of refined products, turning the current shock into both a production and logistical constraint. This has disproportionately affected diesel markets, pushing prices higher relative to crude oil.

What are the fuel price expectations for May?

As of mid-April, the Central Energy Fund (CEF) reports under recoveries of approximately: R2.80 per litre for petrol, R8.50 per litre for diesel and R6.80 per litre for illuminating paraffin. An under recovery reflects the gap between the regulated pump price and the higher rand-denominated cost of importing fuel during the month. Because fuel prices are adjusted only once a month, these losses are not passed through to consumers immediately but are recovered the following month. Current under recoveries, therefore, point to significant increases in May.

Importantly, fuel prices do not increase continuously. Once pump prices have adjusted to reflect higher underlying costs, they will stabilise at that higher level unless international product prices or the exchange rate move further. The current dynamic is therefore a level shift rather than an ongoing upward trajectory, and the fuel price can also be adjusted downward once underlying costs come down.

What about the R3 per litre fuel levy relief?

The government implemented a temporary R3 per litre reduction in the fuel levy in April to cushion the impact of higher fuel prices. This comes at a fiscal cost of roughly R6bn for the month and is expected to be reassessed over the coming two months. The relief helps shield fuel users from the price surge and curtails the immediate inflationary impact. However, the measure is temporary. From a pricing perspective, the levy operates independently of the BFP. This means that even if international product prices stabilise or decline, the removal of the levy relief could offset any potential relief at the pump.

Will fuel prices come down soon?

Even if crude oil prices ease, refined product prices are unlikely to adjust as quickly. The current environment reflects both supply and logistical constraints: damage to refining infrastructure, shipping backlogs and delays, limited storage capacity and curtailed crude production due to bottlenecks. In addition, refineries that rely on imported crude face feedstock constraints until supply chains normalise. This means that the pass-through from lower crude prices to pump prices will be delayed.

If prices do come down, will they return to pre-war levels?

A near-term return to pre-war fuel price levels this year appears unlikely. Beyond current supply constraints, the disruption has introduced a persistent risk premium in both crude oil and refined product markets. Domestically, the eventual withdrawal of the temporary fuel levy relief (R3 per litre) will also act as an upside risk to prices. Even if international product prices decline, this could offset any relief at the pump.

Buoyed by expectations that the war may end soon, US stock markets fully recovered from the war slump, with the S&P 500 and Nasdaq reaching record highs. Solid bank earnings data suggest that the US economy still has significant momentum and could overcome a (temporary) oil price shock without slowing too much. Meanwhile, the Chinese economy got off to a strong start in Q1, posting 5% y-o-y growth. Monthly data suggest some moderation in March, but growth remains broadly on track to meet the 4.5–5% target, with no immediate need for additional stimulus.

Meanwhile, Jerome Powell's term as Fed chair is nearing its end (mid-May). He has indicated that he will not step down until the President's nominee, Kevin Warsh, is confirmed by the Senate. However, some Republican senators have said they would not support his confirmation until a criminal investigation into the cost of renovating the Fed's headquarters is dropped. President Donald Trump has suggested he would fire Powell if he does not step down. The process could get messy: Powell would likely challenge any removal, and Warsh would not

Weekly Key Indicators

	Close	w-o-w
R/$	R16.44	-0.1%
R/€	R19.35	0.6%
R/£	R22.23	0.7%
$/€	$1.18	0.7%
Brent crude	$95.67	-0.5%
Gold	$4 807	0.8%
Platinum	$2 136	4.8%
JSE ALSI	118 718	0.4%
10y gov. bond	8.47	-6bps
FRA (1x4)*	6.81	0

*Forward rate agreement

automatically assume the role. In the interim, Vice Chair Philip Jefferson would likely step in as acting chair.

WEEK AHEAD: PMIs AND INFLATION DATA TO TEST FRAGILE SENTIMENT

The week ahead brings a dense run of global data releases, which should shed more light on how the recent energy shock is feeding through to activity, prices and sentiment. The flash PMIs for April (Thursday) will be key. March data already pointed to slowing growth alongside rising input costs – especially in Europe. The April prints will show whether this dynamic is becoming more entrenched as firms continue to face elevated energy prices and supply-side pressures.

In Europe, sentiment is also in focus. The sharp drop in the ZEW indices in March underscored how quickly confidence has deteriorated. Any further weakness would reinforce concerns that the earlier, tentative recovery is losing momentum. Across the Atlantic, US retail sales and the final Michigan sentiment reading will provide additional insight into consumer health. While spending has held up so far, rising inflation expectations and tighter financial conditions may begin to erode momentum.

Inflation data from the UK and SA (Wednesday) will also be closely watched. While recent prints have been relatively contained, they largely predate the latest energy shock. Markets will be looking for early signs of second-round effects, which would further complicate central banks' outlook. In SA, we expect headline CPI to tick up to 3.1% y-o-y in March, from 3% in February, with a much steeper jump only expected in April, when the fuel price increased at the start of the month.

Staying in SA, retail sales (February) should still reflect relatively firm consumer demand. However, this resilience is unlikely to last beyond Q1. Higher fuel prices and tighter financial conditions are set to weigh on spending in the coming months.

Date	Event	Latest
Tuesday (21 Apr)	EZ, DE: ZEW Economic Sentiment (Apr)	-8.5; -0.5
Tuesday (21 Apr)	US: Retail Sales (Mar)	3.7% y-o-y; 0.6% m-o-m
Tuesday (21 Apr)	UK: Unemployment Rate (Feb)	5.2%
Wednesday (22 Apr)	UK: Consumer Inflation (Mar)	3% y-o-y, 0.4% m-o-m
Wednesday (22 Apr)	SA: Consumer Inflation (Mar)	3% y-o-y; 0.4% m-o-m
Wednesday (22 Apr)	SA: Retail Sales (Feb)	4.2% y-o-y; 0.9% m-o-m
Thursday (23 Apr)	US, EZ, DE, UK: S&P Composite PMI (flash, Apr)	50.3; 50.7; 51.9; 50.3
Thursday (23 Apr)	SA: Wholesale Trade Sales (Feb)	-4.5% y-o-y; -0.6% m-o-m
Friday (24 Apr)	UK: Retail Sales (Mar)	2.5% y-o-y; -0.4% m-o-m
Friday (24 Apr)	US: Michigan Consumer Sentiment (final, Apr)	53.3
Friday (24 Apr)	DE: Ifo Business Climate (Apr)	86.4

SA POLITICAL UPDATE

Natasha Marrian

EFF LEADER JULIUS MALEMA'S FIVE-YEAR JAIL SENTENCE

EFF leader Julius Malema was sentenced to five years in prison, linked to his 2018 discharge of an automatic weapon at an EFF rally. Malema was granted leave to appeal the sentence by kuGompo City Magistrate Twanet Olivier. This meant Malema was not immediately remanded into custody and was free to return home after addressing hundreds of EFF supporters gathered outside the court.

Malema was sentenced to five years' imprisonment for unlawful possession of a firearm and two years for unlawful possession of ammunition, with the custodial sentences to run concurrently. He was also fined R20 000 (or six months' imprisonment) on each of the remaining counts. The state had asked for Malema to receive the full might of the law, a 15-year sentence. Still, the NPA welcomed the outcome, noting it would act as a deterrent to would-be offenders in gun-related cases.

The political implications for Malema and the EFF, now the country's fourth-largest political party, are far-reaching. If he ultimately serves more than 12 months' imprisonment, he will lose his seat as a Member of Parliament, and he will only be eligible to return to Parliament five years after completing his sentence.

This could culminate in violent protests by his backers, as witnessed after the incarceration of former president Jacob Zuma in 2021. Malema appealed for calm from his supporters, and police reported no serious incidents across the country. Malema's comments after the sentence, however, appeared to rile his backers. He alleged he was being targeted for his politics by the white establishment. He also accused Olivier of incompetence and of colluding with the prosecution in the case.

The developments also present a medium-term political risk. While electoral support for the EFF declined slightly in the 2024 election, harnessing unhappiness over his potential incarceration could help propel the party in the upcoming election. The EFF officially entered government across Gauteng after the 2021 local government election – the electorate can now judge its performance as a party in power in Johannesburg, Ekurhuleni and Tshwane. As such, the upcoming local government election would provide a clear indication of whether the politics of victimhood continue to hold sway (as witnessed with Zuma and MK in 2024), or whether the EFF will be judged on its performance in government, rather than its leader's antics.

THE ANC'S SACP HEADACHE

The ANC and the SACP continue to grapple over the latter's decision to contest the upcoming 2026 election. The ANC held a special national executive committee meeting on Friday last week to discuss the practicalities associated with its former ally, now a political opponent.

A complication for the ANC is that its Constitution allows dual membership in only one other political party, the SACP. This provision, however, was ratified when all alliance partners contested elections under the ANC banner. The ANC has opted to take a hardline stance against dual members in its ranks who campaign for the SACP, warning they could face disciplinary action - particularly public representatives who hold dual membership but are in government posts at all levels on an ANC ticket.

The SACP, on the other hand, is adamant that none of its own members who opt to campaign for the ANC would face political retribution. The SACP's decision to contest the upcoming election would mark the biggest rupture in the alliance since the expulsion of Cosatu's largest union, the National Union of Metalworkers of SA (Numsa), in 2014. Numsa (whose membership at the time was triple that of the SACP's current membership) went on to form a political party that contested elections but failed to win enough votes to secure a single seat in parliament.

THE DA'S NEXT BATTLE

This weekend, the DA elected Geordin Hill-Lewis as its federal leader for the next three years. **Our analysis of the elective congress is available here.** It is now turning to its next internal battle, as in the coming weeks, the party will elect its Parliamentary leader.

Candidates vying for the post include the Eastern Cape leader and former deputy minister of trade and industry, Andrew Whitfield, who was not assigned a portfolio in Parliament by the party after Ramaphosa axed him over an unsanctioned US trip last year. Current chief whip George Michalakis and spokesman on energy Kevin Mileham have also thrown their hats in the ring. Nominations for the post closed this week. Hill-Lewis has also indicated that he would appoint a DA representative in the Cabinet to serve as his eyes and ears within the government of national unity, given that he has opted to run for re-election as the City of Cape Town Mayor.

The situation effectively culminates in three unofficial centres of power in the DA – not unusual or unique to the party. It will, however, be crucial that there is synergy between the three leaders: Hill-Lewis, his appointed representative in the Cabinet and the Parliamentary leader. In the past, conflict between the party leader and its Parliamentary leader has damaged the party's standing. For instance, the impasse between Helen Zille during her tenure as leader and Western Cape premier and former Parliamentary leader Lindiwe Mazibuko, which ultimately led to the latter's exit from the party.

DOMESTIC DATA

Kelebogile Mabitsi

BASE EFFECTS BOOST ANNUAL MINING OUTPUT, SET FOR QUARTERLY EXPANSION

Mining production maintained its upward streak, rising by 9.7% y-o-y in February, following an upward revision of 0.4% points to 5% growth in January. This was supported by strong base effects (due to a poor start to 2025). Production rose for platinum group metals (PGMs), by 52.3%, chromium ore (26.9%), manganese ore (17.8%), and gold (12.8%). In contrast, production declined for iron ore (-12.4%) and coal (-6.7%). Meanwhile, monthly mining production eased from an upwardly revised 3.7% increase in January to 2.3% in February. There were notable gains in production of gold (9.3%), other non-metallic minerals (14.1%), and PGMs (8.8%), while production of copper fell (-37.3%). The sector is on track to add positively to GDP in Q1.

Monthly nominal mineral sales surged by a whopping 58.3% y-o-y in February – its third month of fast growth, driven by higher prices. In February, it was underpinned by a surge in gold sales of 397.6%, while PGM sales rose by 132.1% and chromium ore sales increased by 53.8%.

INTERNATIONAL DATA

Nomvelo Moima

BETTER-THAN-EXPECTED CHINA GDP AT THE START OF THE YEAR

China's Q1 GDP grew 5% y-o-y, beating expectations of a 4.5% y-o-y expansion. Growth at the start of the year was driven by exports, manufacturing, and Lunar New Year consumer spending over January and February. However, momentum slowed in March, with growth expected to narrow in Q2 amid a war-related global slowdown. At the same time, March retail sales data also showed signs of slowing activity, rising by a modest 1.7% y-o-y after a 2.8% expansion at the start of the year.

March trade surplus shrank to $51bn (the lowest since February 2025) from $213bn, as exports slowed due to a delayed Lunar New Year and March 2025 being a high base owing to tariff front-loading, rather than weak external demand. Meanwhile, imports hit a five-year high as China continues to stockpile critical resources. Over the first quarter, the surplus held strong at $264bn (-3% y-o-y).

ANNUAL US FACTORY-GATE INFLATION ACCELERATES AT FASTEST PACE IN THREE YEARS

The US Bureau of Labour Statistics (BLS) reported a 0.5% monthly increase in PPI inflation in March, unchanged from the prior month. Although the reading came in below consensus expectations, which had forecast a 1.1% m-o-m acceleration in the producer price inflation report since the start of the Iran War, the monthly change still translates to a 4% y-o-y increase, the highest since February 2023. Despite the unchanged monthly headline, a 1.6% rise in the price of final demand goods stands out as the largest increase since August 2023. This was driven mainly by an 8.5% surge in energy prices, with gasoline alone jumping 15.7% and contributing to nearly half of the acceleration.

UK ECONOMIC GROWTH SURPRISES TO THE UPSIDE

UK real GDP recorded a 0.5% m-o-m expansion in February, edging up after two consecutive months of just 0.1% growth. This was driven primarily by increased activity in the service sectors, which expanded by 0.5% m-o-m after a muted 0.1% m-o-m rise in the previous month. On an annual basis, the UK economy expanded by 1%, up from 0.7% in January. However, tensions in the Middle East are keeping energy markets on edge. As a net energy importer, it is unlikely that economic activity will keep February’s pace over the coming months.

EZ INDUSTRIAL OUTPUT REBOUNDS IN FEBRUARY

EZ industrial production rose 0.4% m-o-m in February 2026, slightly beating consensus expectations of a 0.3% expansion, after two consecutive months of contraction. Though levels remain below most of 2025, leaving little buffer ahead of the pressure that energy-intensive sectors are likely to have experienced in March.

FORECAST UPDATE

We have made an interim downward adjustment to our GDP forecast – with the final figure to be confirmed by the quarterly forecast update we are currently undertaking. *Premium Insights clients will receive a comprehensive forecast update once it is finalised.* We expect growth of around 1.3% in 2026, which would still be better than 2025. The IMF forecast SA's growth at just 1% in 2026, with many other oil importers also seeing sharp downward revisions. We are not as bleak yet, with some signs of continued momentum at the start of the year and a baseline assumption that the worst of the oil shock will be in Q2 (although we will still feel the ramifications through 2026 – if not longer).

Following an upward revision to consumer inflation last week and a slightly weaker rand, we have not made major adjustments this week. Importantly, we assume some further fuel levy relief (particularly on the diesel side). Should this not happen, full-year inflation will be higher. Another big upside risk for next year is food price inflation. El Niño (with some even talking about a super El Niño), and potential drought conditions could amplify the effects of any second-round effects on inflation from higher transport prices. While we see such a scenario as a real possibility, we are not shifting our baseline to this. We did lift our PPI forecast this week. The significant jump (from closer to 2% at the start of the year) is mainly because diesel has a much bigger weight in the factory-gate price calculation than in CPI.

A further interim update is that we no longer expect the SA Reserve Bank (SARB) to cut its policy rate this year. We are not yet pencilling in hikes, but the bar is lower than before (especially if we do not see further fuel levy relief and food price pressure).

	Actual		Forecast		Next release/meeting	
	2025	**2026Q1**	**2026Q2**	**2026**		
Brent crude oil ($, spot, avg.)	68.83	73.83	90.00	81.40	n/a	
ZAR/USD (avg.)	17.88	16.36	16.46	16.66	n/a	
Prime interest rate (%, end of period)	11.25	10.25	10.25	10.25	28-May-2026	
	2025	**2025Q4**	**2026Q1**	**2026**		
Headline CPI (y-o-y % change)	3.2	3.6	3.2	4.0	22-Apr-26	Mar
FNAB inflation (y-o-y % change)	4.1	4.2	4.3	3.9	22-Apr-26	Mar
Headline PPI (y-o-y % change)	1.5	2.9	2.0	6.0	30-Apr-26	Mar
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****.*

CONTACT US

Editor: Lisette IJssel de Schepper

Tel: +27 (0)21 808 9777

Email: lisette@sun.ac.za

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