BUREAU for ECONOMIC RESEARCH

WEEKLY REVIEW | NUMBER 32 | 28 AUGUST 2026

# Economic Outcast meets Hormuz hope as oil falls and the rand firms

**A note from the editor**: Due to a glitch in our Mailchimp system, last week's Weekly alert was not sent. The issue was only resolved on Monday morning, by which point we decided against cluttering your inbox with a delayed notification. Our apologies. The Weekly itself is always published on our website at 07h00 every Friday, whether the email alert reaches you or not.

## THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

The US administration escalated its economic campaign against Iran this week with the launch of Operation Economic Outcast, a new whole-of-government effort aimed at severing Iran's financial and energy links with the rest of the world. The initiative follows months of intensifying sanctions and was explicitly framed by US Treasury Secretary Scott Bessent as an "economic D-Day". The latest measures target oil-smuggling networks, shadow-fleet vessels, financial intermediaries and companies operating across a range of jurisdictions, including China, Hong Kong, the UAE and Europe.

The key economic question is whether Operation Economic Outcast materially constrains Iranian oil exports or merely pushes more activity into opaque channels. China is central to the answer, given its importance as a buyer of Iranian crude and its rejection of the latest US sanctions. At the same time, there has been tentative progress towards reopening the Strait of Hormuz itself. According to tracker data, about 6 to 8 million barrels per day are now flowing through the Strait. Iran and Oman have now reportedly agreed on a framework to administer traffic through the Strait and share revenues, raising hopes that commercial flows could begin to normalise. Those hopes helped push Brent sharply lower this week. However, Tehran has stressed that an agreement with Oman would not by itself amount to a full reopening of the Strait, which remains tied to broader US-Iran negotiations and other Iranian demands. The result is an unusual combination: tougher US economic pressure on Iran, but simultaneously greater market optimism that one of the conflict's biggest constraints on global energy supply may ease.

For SA consumers, however, the recent fall in Brent comes too late to prevent a sharp fuel-price increase next week, with current under-recoveries still pointing to increases of around R1/l for petrol and around R3/l for diesel.

Risks to refined-product markets also extend beyond the Middle East. Ukraine has continued to target Russian refining capacity, while Russia has intensified missile and drone attacks on Ukrainian cities. The refinery strikes matter beyond the battlefield: repeated disruptions have tightened Russian fuel supplies and, against a backdrop of already strained refining capacity elsewhere, add another potential source of pressure on diesel and other refined-product markets.

Trade tensions also escalated sharply between the US and Canada this week after negotiations over a new agreement collapsed. The US imposed 50% tariffs on around C$28bn of Canadian goods, prompting Ottawa to announce matching retaliatory tariffs – although all to be implemented at a future date. More significant for the broader global trade dynamic is Prime Minister Mark Carney's decision to walk away rather than accept what he described as unfair terms that compromised Canada's economic interests and sovereignty. Canada remains deeply integrated with the US economy, but Carney has increasingly framed diversification away from dependence on the US as a strategic objective.

Against that geopolitical backdrop, the AI investment story remained remarkably strong. Nvidia reported quarterly revenue of $96.2bn, more than double the level a year ago, while data-centre revenue rose 117% y-o-y to $89bn. The results suggest that, despite growing concern over the scale of AI-related capital expenditure and increasingly stretched valuations in parts of the technology sector, demand for AI computing infrastructure has yet to show meaningful signs of slowing.

The strength of AI investment also feeds into a broader theme that has become increasingly important in global markets: the competition for capital. Long-term government borrowing costs remain elevated as investors weigh persistent inflation, rising public debt and heavy issuance against very large private-sector investment requirements. US Treasury yields eased somewhat this week, with the 30-year yield moving back towards 5.2%, but remain historically high. Even the Treasury's decision last week to increase long-dated bond buybacks has thus far provided only temporary relief.

Attention has now shifted to the Federal Reserve's Jackson Hole symposium, where Kevin Warsh is due to deliver his first keynote address as Fed chair on Friday. The timing is particularly interesting. July core PCE inflation remained at 3.3% y-o-y, even as recent labour-market data have pointed to weaker momentum. This leaves the Fed facing an increasingly uncomfortable trade-off between persistent underlying inflation and signs that activity and employment are cooling. Markets will therefore be looking closely for any indication of how the Fed under Warsh intends to balance those risks heading into the September policy meeting. They may be disappointed given the Fed chair's reluctance to provide forward guidance.

Closer to home, the rand has been one of the more notable market movers. The currency strengthened below R16/$ on Friday – the best level in about six months - for the first time since before the Middle East conflict and has broadly maintained those gains this week. The move appears to be primarily a dollar story: the greenback has weakened as markets reassess the US interest-rate outlook and concerns around the country's fiscal position persist. However, the rand has also benefited from relatively attractive interest-rate differentials, low volatility and firmer commodity prices. The move below R16/$ should therefore not be interpreted as evidence of a sudden improvement in domestic growth conditions, but it does underline how supportive the global backdrop can be for the currency when SA-specific risks remain contained.

| Weekly Key Indicators | | |
|---|---|---|
| | Close | w-o-w |
| R/$ | R16.00 | -0.8% |
| R/€ | R18.63 | -1.1% |
| R/£ | R21.73 | -1.1% |
| $/€ | $1.16 | -0.3% |
| Brent crude oil | $86.77 | -7.6% |
| Gold | $4 594 | 1.3% |
| Platinum | $1 821 | 0.6% |
| JSE ALSI | 116 813 | 1.0% |
| 10y gov. bond | 8.63 | -11bps |
| FRA (1x4)* | 7.09 | 7bps |

*Forward rate agreement

Finally, agriculture provides an example of the mixed inflation picture. SA is closing out a record 2025/26 summer-grain harvest of around 21.6 million tonnes, up 5% from the previous season, helping to push grain prices lower and supporting the sharp moderation in food inflation. The outlook is becoming less favourable, however. The first wheat estimates for 2026 points to production of around 1.76 million tonnes, down 7.5% from last year, while the sector is also looking ahead to the risk of El Niño conditions in 2026/27. Flooding has complicated planting in some areas and higher fuel and fertiliser prices are raising production costs. For now, food inflation remains exceptionally subdued, but some of the recent disinflationary support from agriculture may fade.

## WEEK AHEAD: Q3 SA BUSINESS CONFIDENCE IN FOCUS

In SA, the most important release will be the RMB/BER Business Confidence Index (BCI). Together with the Absa PMI, it will provide an important read on whether the weakness evident in parts of the economy over the past few months is beginning to stabilise, or whether subdued demand, high input costs and lingering uncertainty continue to weigh on business conditions. Private-sector credit extension, new vehicle sales and the S&P Global PMI will provide additional information on household and business demand. Vehicle sales in particular will be useful in assessing whether the resilience seen in parts of consumer spending is carrying into the third quarter.

Note that Stats SA has postponed the rebasing and benchmarking of the national accounts, previously scheduled ahead of the Q2 GDP release on 8 September, to October.

Internationally, the focus will be on a busy run of global PMIs. China's official and private manufacturing surveys will provide an early indication of whether the loss of momentum seen in July continued into August, while the US ISM manufacturing and services indices will offer a timely read on activity across the world's largest economy.

The week ends with the US August employment report, which will be especially closely watched after the recent weakness in payroll data and ahead of the September Fed meeting. Another soft payroll print or a further rise in unemployment would strengthen the case for a less restrictive policy stance, while a stronger report would complicate that narrative.

Eurozone inflation will also be in focus, with the preliminary August reading likely to be an important input into the ECB's September decision. Recent ECB commentary has remained hawkish, with policymakers signalling that another rate hike may be necessary unless the inflation outlook improves materially. A softer inflation print could therefore temper expectations of a September hike, while another firm reading would reinforce them.

| Date | Event | Latest |
|---|---|---|
| Monday (31 Aug) | CN: NBS Manufacturing PMI (Aug) | 49.2 |
| Monday (31 Aug) | SA: Private Sector Credit (Jul) | 7.8% y-o-y |
| Tuesday (1 Sep) | CN: RatingDog Manufacturing PMI (Aug) | 50.9 |
| Tuesday (1 Sep) | EZ: Consumer Inflation (Aug, prelim.) | 2.9% y-o-y; 0.2% m-o-m |
| Tuesday (1 Sep) | US: ISM Manufacturing PMI (Aug) | 55.6 |
| Tuesday (1 Sep) | SA: Absa Manufacturing PMI (Aug) | 46.8 |
| Tuesday (1 Sep) | SA: Total New Vehicle Sales (Aug) | 57.7K |
| Wednesday (2 Sep) | SA: RMB/BER Business Confidence (Q3) | 39 |
| Thursday (3 Sep) | CN: RatingDog composite PMI (Aug) | 50.8 |
| Thursday (3 Sep) | SA: S&P Global PMI (Aug) | 50.3 |
| Thursday (3 Sep) | US: ISM Services PMI (Aug) | 54.1 |
| Friday (4 Sep) | EZ: Retail Sales (Jul) | 0.7% y-o-y; -0.3% m-o-m |
| Friday (4 Sep) | US: Nonfarm Payrolls, Unemployment Rate (Aug) | -23k; 4.1% |

# SA POLITICAL UPDATE

Natasha Marrian

## GNU IN ACTION AS NO CONFIDENCE MOTION AGAINST SPEAKER FAILS

A motion of no confidence in Parliamentary Speaker Thoko Didiza, brought by the Economic Freedom Fighters, failed on Thursday, with 282 MPs voting against the motion and 101 supporting it.

Parties supporting the motion included the “progressive caucus” consisting of the EFF, MK Party, United Africans Transformation, African Transformation Movement and the African Christian Democratic Party. Government of National Unity parties were among those who rejected the EFF motion, supporting Didiza.

The EFF sought the motion after Didiza failed to oppose President Cyril Ramaphosa’s court challenge to former chief justice Sandile Ngcobo’s report on the 2020 theft of US currency from his Phala Phala private farm. Didiza opted to abide by the court’s decision on the matter, which is set to be heard in the Western Cape High Court next week. Parliament’s impeachment committee, set up at the direction of the Constitutional Court in its seminal judgement on Phala Phala in March, is opposing Ramaphosa’s challenge to the report.

The motion against Didiza was described as an over-reaction – most parties agreed that her conduct in the matter, even though many disagreed with it, was not sufficient to vote in favour of a motion of no confidence against her. ANC MP Soviet Lekganyane, in her defence, pointed out that Didiza had turned down a request by Ramaphosa to limit the scope of the Impeachment Committee after the Constitutional Court judgement was handed down.

Attention now turns to Ramaphosa’s bid to have the Ngcobo panel report set aside. The outcome is important for both Ramaphosa personally and, over the longer term, the ANC. However, it will not have a material impact on the upcoming election after Ramaphosa succeeded in interdicting the Impeachment Committee proceedings pending the outcome of his panel report. Legal experts say that judgement in the matter could take months and could be subject to appeals from opposition parties such as the EFF and ATM, if it finds in Ramaphosa’s favour. Should Ramaphosa’s bid fail, he too may opt to appeal the judgement.

## LGE 2026 UPDATE: MANIFESTOS AND CANDIDATE LISTS

Political parties have until the close of business today (Friday) to submit their councillor candidate lists to the Electoral Commission of SA. The lists provide the IEC with the councillor candidates parties are fielding for the 257 municipalities across the country. The lists are ordered, in descending order of priority – meaning the higher one’s name appears on the list, the more likely you are to represent your party as a councillor.

In the ANC, this is generally a fraught process – rendered particularly complex in the current election season by the emergence of Jacob Zuma’s MK Party and the SACP’s decision to contest the 2026 local government election independently. It is fielding its own candidates in all municipalities and unveiled its own election manifesto two weeks ago.

The ANC’s internal factional fights are fuelling the dissent in the list process. In the Eastern Cape, where the ANC remained electorally strong with 62% support in 2024, the MK Party is seeking to exploit internal factional divisions ahead of the 2029 election, according to a report in the Mail & Guardian. The party in the province is effectively paralysed by factional battles, litigation and threats to use the courts to halt the councillor candidate selection process. ANC secretary general Fikile

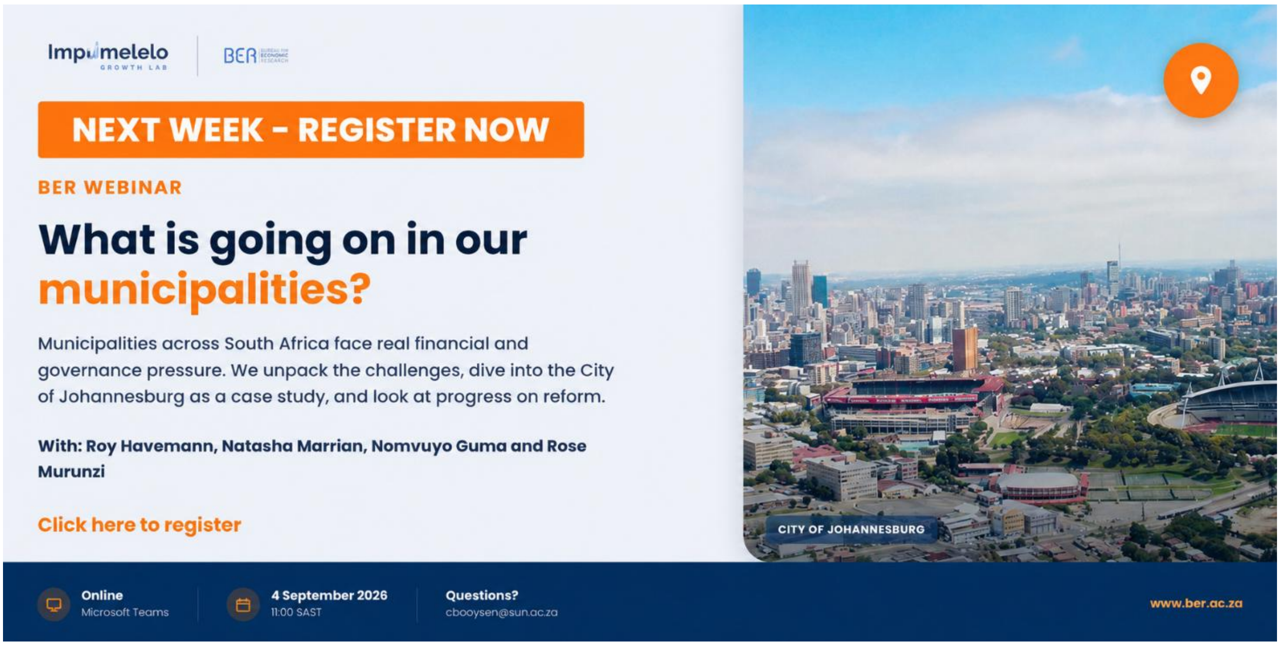
Mbalula this week said the impasse in the Eastern Cape was driven by a "very powerful force that is beyond us".

The ANC held two special national executive committee meetings this week to finalise its candidate lists. This came after the party ran into similar problems in selecting mayoral candidates for the eight metros over the weekend – see **our comment on the ANC's Joburg impasse here**.

The two largest parties, the ANC and the DA, have launched their election manifestos – both are laden with promises to provide basic services to residents and communities across the country. The main difference between the ANC and DA manifestos lies in how each party intends to "operationalise" service delivery going forward.

In this regard, argues Wits School of Governance Professor Alex Van der Heever, the ANC does not propose doing anything differently from what it has done in the past. The DA's offering provides a more robust strategy to return councils to their core function of delivering basic services through, among other interventions, public-private partnerships.

While manifestos are important marketing tools for political parties ahead of elections, implementing them under coalition government arrangements becomes complex unless they are agreed upon by all parties forming the coalition. Van Der Heever argues that, in his view, the ANC's manifesto would likely appeal to parties such as the EFF and the MK Party, as it uses the same model to operationalise service delivery as it always has, which boils down to patronage disguised as development.




## DOMESTIC DATA

Nkosinathi Nonkonyana

### LEADING INDICATOR POINTS TO SOFTER ECONOMIC MOMENTUM

The SARB's composite leading business cycle indicator ticked down by 1.4% m-o-m in June, following a 0.3% drop in the previous month. This marks the third successive decline in the indicator, largely reflecting a decline in SA's US-dollar-denominated export commodity price index and an easing in the six-month smoothed growth rate of the real M1 money supply.  The number of residential building plans passed, and the accelerated six-month smoothed growth rate in job advertisements rose, but were outweighed by five out of the seven available component time series decreasing.

### PPI SLOWS FOR THE SECOND MONTH

Annual producer price inflation moderated to 5.7% in July, from 7.5% in June, below market expectations of 6.1%. The easing in prices came from a softer rise in petrol (21.8% vs 36.5%) and diesel (29.4% vs 53.8%), as SA fuel prices declined at the start of the month.

### MOTOR TRADE REMAINS WEAK DESPITE FIRMER ANNUAL GROWTH

Motor trade sales rose by 1.5% y-o-y in June, following 0.2% y-o-y in May. New vehicle sales increased by 15.6% (4% pts) and used vehicle sales by 6.3% (1.3% pts) in June, making the largest positive contribution, while fuel sales decreased by 12% (3% pts). Monthly, sales contracted by 2.7% in June, from a 2.6% decline in May. Quarterly motor trade sales decreased by 2.9% in the second quarter compared to the first quarter of 2026, with fuel sales being the main subtractor (-9.4%, -2.3% pts). Although motor trade sales growth edged higher annually after two consecutive declines, the continued monthly contraction suggests that underlying demand is losing momentum, setting up the sector to detract from second-quarter growth.

## INTERNATIONAL DATA

Vincent van der Westhuizen

### US PCE INFLATION HOLDS STEADY AHEAD OF WARSH'S ADDRESS

The Fed's preferred measure of inflation, core PCE inflation, remained at 3.3% y-o-y in July, unchanged from June, reflecting a 0.2% m-o-m increase, in line with expectations. Overall PCE inflation, which includes food and energy costs, rose by 3.7% y-o-y in July, unchanged from June, reflecting a 0.2% m-o-m increase, slightly above expectations. With core PCE remaining above the Fed's 2% inflation target, attention turns to Fed Chair Warsh's keynote speech today (28 August) for indications of how the Fed is weighing persistent inflation against recent labour-market weakness

### GERMAN BUSINESS AND CONSUMER SENTIMENT IMPROVES

Germany's Ifo Business Climate Index rose to 88.8 points in August, up from 86.8 in July and exceeding expectations of 87.2. This marks the fourth consecutive monthly increase and the highest level since August 2025 (88.9), indicating higher company satisfaction and optimism and declining uncertainty despite elevated energy prices. The Current Conditions component rose to 88.5, up from 86.5 in July and above expectations of 87, while the Expectations component rose to 89.1, up from 86.8 in July and exceeding expectations of 87.5. Overall sentiment improved in the manufacturing, services, trade, and construction sectors, with expectations improving across the board, and construction being the only sector to assess its current situation as worse.

Germany's forward-looking GfK Consumer Climate Indicator rose to -26.6 for September, up from -29.4 for August and exceeding forecasts. While the indicator remains lower than September 2025 (-23.5), this marks the highest reading since March and suggests that consumers are becoming less pessimistic. The improvement was largely driven by a recovery in income expectations, which rose significantly to 1.7 from -14.5, while strengthening economic expectations (rising to -3.9 from -6.3) and easing willingness to save (still elevated but down to 15.5 from 17) provided support. Importantly, a virtually unchanged willingness to buy, measured at -9.8 (from -9.9), indicates that stronger income expectations have not translated into a readiness to spend.

The divergence suggests that improving household expectations have yet to translate into a meaningful recovery in consumption appetite.

## FORECAST UPDATE

Despite a slightly softer-than-expected July PPI print, we have revised our near-term producer inflation forecasts higher to reflect the renewed increase in fuel and other energy-related cost pressures. We now expect headline PPI inflation to average 6.3% in 2026Q3 and 5.4% for the year as a whole.

Our consumer inflation forecasts are unchanged. We continue to expect headline CPI to average 4.5% in Q3 and 4.2% in 2026, while food and non-alcoholic beverage inflation remains particularly subdued. There is still some upside risk to the near-term inflation outlook from oil and refined-product prices.

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. The latest high-frequency indicators point to some downside risk to our 0.1% q-o-q Q2 GDP forecast, although the picture remains mixed. Attention will soon shift to the third quarter, with the Q3 RMB/BER Business Confidence Index, August Absa Manufacturing PMI and new vehicle sales providing some of the first useful signals on the strength of activity.

Q2 GDP will be released on 8 September. Stats SA has indicated that the forthcoming rebasing and benchmarking of the national accounts will be released separately in October.

| | Actual | | Forecast | | Next release/meeting | |
|---|---|---|---|---|---|---|
| | 2025 | 2026Q2 | 2026Q3 | 2026 | | |
| **Brent crude oil** ($, spot, avg.) | 68.83 | 97.05 | 81.67 | 83.77 | n/a | |
| **ZAR/USD** (avg.) | 17.88 | 16.47 | 16.48 | 16.46 | 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.