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The SARB holds as uncertainty mounts and oil tops $100

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

In a week of shifting expectations, the SA Reserve Bank (SARB) ultimately kept the policy rate unchanged. That was our official forecast heading into the meeting, although Wednesday's upside inflation surprise and renewed strength in oil prices had made the decision appear even more finely balanced than before. In fact, markets expected another 25 basis point hike. While Brent crude only surged above $100/bbl after the MPC had voted, Governor Lesetja Kganyago reminded journalists that monetary policy cannot influence June's inflation - or even inflation over the next few months. The Committee therefore judged that May's timeous rate hike had already placed policy in sufficiently restrictive territory to return inflation to target over the medium term. **Premium Insights clients can read our full comment here.**

Weekly Key Indicators	Close	w-o-w
R/$	R16.75	2.0%
R/€	R19.04	1.3%
R/£	R22.30	0.7%
$/€	$1.14	-0.6%
Brent crude oil	$101.85	20.8%
Gold	$4 052	1.5%
Platinum	$1 606	-2.5%
JSE ALSI	109 683	-0.6%
10y gov. bond	8.98	40bps
FRA (1x4)*	7.28	8pbs

*Forward rate agreement

The rand weakened in the wake of the decision as markets unwound expectations of another near-term rate hike, while renewed geopolitical tensions added further pressure. Indeed, upside risks to the inflation outlook have not disappeared – and the SARB may well be forced to hike the interest rate later this year. Global bonds sold off as markets adjusted expectations for monetary policy actions later this year. Meanwhile, Washington continued its strikes against Iranian targets this week, while President Donald Trump intensified his rhetoric, including threats against Iran's nuclear facilities and critical infrastructure. Iran continued to downplay prospects for a diplomatic breakthrough.

While much of the world's attention remains focused on the Strait of Hormuz, another strategic chokepoint is becoming increasingly important. Houthi attacks in the Bab el-Mandeb have prompted some vessels to alter course, effectively opening another front in the conflict. Brent crude traded above $100/bbl yesterday for the first time since May after Kazakhstan was forced to temporarily halt exports through a Black Sea terminal, highlighting how quickly multiple supply disruptions can feed into global energy markets.

Meanwhile, trade policy returns to the spotlight today. The temporary 10% US tariffs introduced under Section 122 are expiring today, but few expect a meaningful reduction in overall US tariff protection. Instead, the Trump administration is replacing them with more targeted measures under Section 301, which requires investigations into unfair trade practices and is therefore likely to prove more durable than the emergency measures they replace. SA will face a 12.5% levy. Additional tariff actions targeting Brazil, Canada and pharmaceuticals in general suggest that while the legal basis may be changing, the broader direction of US trade policy remains unchanged.

Domestically, the economy continues to send mixed signals. June inflation surprised on the upside, yet retail sales suggest households have remained more resilient than expected despite elevated borrowing costs and higher fuel prices. By contrast, manufacturing, mining and wholesale trade all point to another weak quarter for the industrial sector, reinforcing the SARB's view that downside risks to growth remain an important consideration. Politics was no less eventful, with fresh developments at the Public Investment Corporation (PIC), including the late-night resignation of Deputy Finance Minister David Masondo as its chair, the Madlanga Commission and the Phala Phala litigation, reminding us that policy uncertainty extends well beyond monetary policy. See the politics update below for more.

WEEK AHEAD: US FED IS UP NEXT

Attention next week will centre on the US Federal Reserve's (Fed) interest rate decision on Wednesday and the release of the June core PCE inflation data on Thursday. Markets overwhelmingly expect the Fed to leave the federal funds rate unchanged. However, this will be Chair Kevin Warsh's second FOMC meeting as chair, following a notable debut in June that featured several changes to the Fed's communications framework, including omitting the Chair's own forecast and issuing a shorter post-meeting statement. With Warsh having offered little forward guidance on the future policy path, investors will be keen to see whether those communication changes become the new norm and, more importantly, how he frames the balance of risks following recent geopolitical tensions and renewed concerns around inflation expectations. Combined with the latest reading on core PCE inflation, the Fed's preferred inflation gauge, the outcome is likely to help markets assess whether another rate hike later this year is a realistic possibility.

Domestically, June private sector credit extension will be closely watched after corporate credit growth accelerated sharply earlier this year. Recent SARB analysis suggests much of the strength in corporate lending reflects financial-sector balance sheet activity rather than a broad-based investment cycle, making the composition of lending as important as the headline number. Producer inflation, the June budget balance, motor trade sales and the May leading business cycle indicator will provide further insight into pricing pressures, fiscal developments and domestic demand. We expect PPI to have eased marginally from 7.8% in May to 7.7% in June.

Elsewhere, flash Q2 GDP growth and July inflation data from the Eurozone will provide an update on the region's recovery, while China's official manufacturing PMI will be watched for further signs that recent policy support is gaining traction. The Bank of England is widely expected to leave its policy rate unchanged at 3.75%.

Date	Event	Latest
Monday (27 Jul)	DE: Ifo Business Climate (Jul)	85.6
Tuesday (28 Jul)	SA: Leading Business Cycle Indicator (May)	-1.8% m-o-m
Wednesday (29 Jul)	US: Fed Interest Rate Decision	3.75%
Wednesday (29 Jul)	SA: Private Sector Credit (Jun)	8.6%
Wednesday (29 Jul)	SA: Motor Trade Sales (May)	6.5% y-o-y; -3.8% m-o-m
Thursday (30 Jul)	EZ: GDP Growth Rate (Q2 flash)	0.3% y-o-y; -0.2% q-o-q
Thursday (30 July)	SA: PPI, Budget Balance (Jun)	7.8% y-o-y; 2.6% m-o-m; -R14.6B
Thursday (30 Jul)	UK: BoE Interest Rate Decision	3.75%
Thursday (30 Jul)	US: Core PCE Price Index (Jun)	3.4% y-o-y; 0.3% m-o-m
Friday (31 Jul)	CN: NBS Manufacturing PMI (Jul)	50.3
Friday (31 Jul)	EZ: Consumer Inflation Rate (Jul, flash)	2.8% y-o-y; -0.1% m-o-m
Friday (31 Jul)	SA: Balance of Trade (Jun)	-R1.8B

SA POLITICAL UPDATE

Natasha Marrian

TUMULT AT PIC DEEPENS AS MASONDO RESIGNS

Late on Thursday, Deputy Finance Minister Masondo resigned as the board chairman of the PIC, which manages R3.6 trillion in government employee pension funds. Masondo and Finance Minister Enoch Godongwana have been on opposite sides of a blistering boardroom battle over the board’s suspension of CEO Patrick Dlamini, **as we reported last week.** Masondo resigned after "careful reflection", saying it was in the interests of the country and the PIC, but dug in over the issues that placed him at odds with Godongwana, urging the incoming board chairman to continue the “outstanding matters” the board was looking into during his tenure. These include the allegations against Dlamini, the Acapulco matter, which he urged should be investigated thoroughly and “appropriately addressed”. Godongwana called a general board meeting scheduled for Monday – it is understood that he was expected to dissolve the board. With seven of the 11 board members, including the chair, having resigned, the board is already depleted.

A WEEK OF REGRESSION RATHER THAN PROGRESS FOR THE CRIMINAL JUSTICE SYSTEM

It was a significant week for the criminal justice system, with the reinstatement of suspended South Gauteng prosecutions boss, Andrew Chauke, among the key developments. Chauke was suspended a year ago, on the strength of a request made two years ago by former National Director of Public Prosecutions Shamilla Batoyi. An inquiry into his fitness to hold office concluded this week, clearing him of the allegations, and he has returned to his crucial post in Gauteng, the province that is now ground zero for the allegations being investigated by the Madlanga Commission of Inquiry.

Retired Constitutional Court Justice Bess Nkabinde probed Chauke’s conduct in several high-profile cases, including the abandoned racketeering charges against former SAPS major general Johan Booysen and the Cato Manor Unit, and the withdrawal of charges against former crime intelligence boss Richard Mduli for the alleged killing of Oupa Ramogibe. The NPA, under Batoyi, subsequently withdrew its case against Booysen, paying him a R1.3m malicious prosecution settlement.

It was the line of questioning on the Booysen matter during the Nkabinde hearings which propelled Batoyi to walk out of the proceedings and withdraw her participation. The Nkabinde Inquiry has yet to release the reasons for its decision, but Batoyi's withdrawal (as the complainant in the matter) likely features prominently in its rationale.

IDAC HEAD ANDREA JOHNSON IN MADLANGA'S CROSSHAIRS

The formation of the Independent Directorate, which later became the Independent Directorate Against Corruption (IDAC), was a significant development in the post-Zuma era, typifying the "New Dawn" under Ramaphosa. It was established via Presidential proclamation in March 2019.

IDAC head Advocate Andrea Johnson came under fire this week as the Madlanga Commission extracted key concessions from her over her controversial decision to charge crime intelligence boss Dumisani Khumalo in what was essentially a human resources matter - the appointment of a mechatronics engineer from BMW, Dineo Mokwele.

The concessions followed Johnson's refusal to answer questions put to her by the commission over the decision to hand a docket to suspended Major General of Crime Intelligence Feroz Khan. During her testimony, Johnson acknowledged shortcomings in the investigation and prosecution of Khumalo and Mokwele.

Her testimony raised fresh questions about both the competence and independence of the directorate. Following her testimony over three days this week, the hearings also intensified scrutiny of her team's haste to pursue charges against Khumalo, who is also a team leader of the political killings task team in KwaZulu-Natal (KZN).

It was Khumalo's arrest that prompted KZN police commissioner Nhlanhla Mkhwanazi to hold the explosive 6 July media briefing last year, which ultimately led to the establishment of the Madlanga Commission. Significantly, Johnson's testimony also revealed a key link between Mchunu and Khumalo's prosecution. Khumalo was the operational head of the Political Killings Task Team (PKTT), which arrested alleged crime cartel boss Katiso Molefe in December 2024. Mkhwanazi alleges this arrest was the reason Mchunu moved to dissolve the unit later that month. Johnson also testified that IDAC's investigation into Khumalo originated from a letter sent by Mchunu's chief of staff, Cedric Nkabinde.

THE BIG PICTURE

Justice Minister Mmamoloko Kubayi has met with Johnson and NPA head Andy Mothibi about the allegation that she emailed Khan the assault docket relating to the assault case against him. Ramaphosa is said to be watching developments closely. Johnson is likely to be suspended, with her testimony before the Madlanga Commission triggering questions about her fitness to hold office.

However, this does not mean that IDAC should collapse due to Johnson's conduct and that of her team. Instead, Mothibi and Ramaphosa should look to replace her and strengthen the institution, which was originally formed to probe complex cases of corruption which emanated from the state capture inquiry, chaired by former chief justice Raymond Zondo.

Most of the cases and allegations investigated by Zondo and his team have fallen by the wayside, while some individuals implicated before the commission have since re-emerged as MPs on Zuma's MK Party list.

The current impasse provides Ramaphosa with an opportunity to strengthen the directorate by appointing a leader better suited to the role, particularly after confirming this week the appointment of retired Judge Joseph Raulinga as IDAC's inaugural oversight judge.

BIG MOMENT IN RAMAPHOSA'S PHALA PHALA BATTLE

President Cyril Ramaphosa will hear today (Friday) whether the Western Cape High Court will halt parliament's impeachment process against him, pending the outcome of his challenge to the panel report on Phala Phala, penned by former Constitutional Court justice Sandile Ngcobo. The report forms the basis for the impeachment process, already under way in parliament.

This week, there was deep concern among Ramaphosa's backers and his legal team about the possibility that the court might deny him an interdict, which would mean the impeachment process could proceed despite the challenge to the Ngcobo report, to be heard by the court in September.

Insiders were concerned that Advocate Wim Trengove SC's arguments for Ramaphosa leaned too heavily on the "humiliation" aspect to persuade the court to grant the interdict. However, Trengove also relied heavily on the possibility that this "humiliation" could cause "irreparable harm" to Ramaphosa, should the impeachment committee proceed before the outcome of his main challenge to the Ngcobo report is known.

The judgement will be closely watched, as it could determine whether parliament proceeds with an impeachment inquiry before the courts have ruled on the validity of the Ngcobo report, with significant political implications for Ramaphosa, the ANC and SA.

DOMESTIC DATA

Kelebogile Mabitsi

HEADLINE CONSUMER INFLATION RISES TO A 2-YEAR HIGH

Annual consumer inflation accelerated to 5% in June, following a 4.5% rise in May. On a monthly basis, consumer prices increased by 0.7%, unchanged from May. Like the headline, core inflation came in a little higher than expected, increasing from 3.8% y-o-y in May to 4.1% y-o-y in June. For the headline, the biggest boost came from transport prices increasing by 12.7%, led by elevated fuel costs (34.3%). Further contributions came from higher costs for housing and utilities (5.5%), and insurance and financial services (5.9%). Conversely, food inflation remained subdued, even easing from 1.6% in May to 1.4% in June. This was underpinned by softer prices for fruit, nuts and vegetables. Overall, goods inflation accelerated from 4.4% in May to 4.8% in June, remaining above the SARB's 3% target for a third consecutive month. Services inflation also rose further, from 4.7% to 5.2%, reinforcing the central bank's concern that underlying price pressures remain sticky.

RETAIL AND WHOLESALE SALES SWING IN OPPOSITE DIRECTIONS

Annual retail trade sales rose by 2.3% in May, up from 1.2% in April. Retailers of textiles, clothing, footwear and leather goods (3.7%) and "other" retailers (6.7%) made the largest contributions to growth, each adding 0.7% pts. General dealers contributed a further 0.4% pts as sales rose by 1% y-o-y. By contrast, sales declined at retailers specialising in food, beverages and tobacco, as well as at hardware, paint and glass stores. From a GDP perspective, seasonally adjusted retail sales increased by 0.1% m-o-m in May, following a 0.8% rise in April. Assuming June does not disappoint, the sector remains on track to make a positive contribution to Q2 growth.

On the other hand, wholesale trade sales declined by 7.4% m-o-m, following a 2.3% drop in April. On an annual basis, sales were down by 6.9%, after a 3.3% increase in April. This suggests that, alongside mining and manufacturing, wholesale trade is likely to weigh on Q2 GDP growth.

INTERNATIONAL DATA

Nadia Matulich

US CONSUMER SENTIMENT LIFTS FROM RECORD LOWS

In the US, the University of Michigan's Consumer Sentiment Index rose to 54.4 in July, following the record low of 49.5 recorded in June. Both sub-indices improved, with consumer expectations rising to 54.0 from 50.7 and current economic conditions rising to 54.9 from 47.7. This marks the highest reading since February, before the disruption in the Strait of Hormuz began. According to the Survey's director, the second consecutive improvement largely reflected easing fuel price pressures. However, the survey was completed before the latest rise in petrol prices.

Year-ahead inflation expectations remain elevated, although they declined from 4.6% in June to 4.2% in July. This is still above the 3.4% recorded in February, before the Iran conflict, and remains well above the Federal Reserve's 2% inflation target. Long-run inflation expectations were unchanged at 3.3%.

UK INFLATION EDGES LOWER IN JUNE

In the UK, headline inflation eased from 2.8% to 2.6% y-o-y in June, while core inflation remained unchanged at 2.6%. In month-on-month terms, headline inflation slowed from 0.2% to 0.1%, while core inflation was unchanged at 0.3%.

The moderation in headline inflation reflected broad-based easing across the basket, with lower transport costs making the largest negative contribution. Offsetting this somewhat were modest increases in services-related categories such as restaurants and hotels.

EUROZONE SENTIMENT IMPROVES WHILST ECB HOLDS RATES STEADY

The Eurozone produced a generally more encouraging set of data this week. While final June inflation numbers were unchanged from the flash estimates, survey data pointed to improving confidence. The ZEW Indicator of Economic Sentiment rose sharply in both Germany and the wider Euro area, comfortably exceeding expectations, while the European Commission's flash consumer confidence indicator also improved.

Despite the improvement in sentiment, assessments of current economic conditions remain weak, particularly in Germany. Even so, both indicators improved modestly from June, while inflation expectations eased further.

Indeed, the European Central Bank (ECB) decided to keep the interest rates unchanged. The Governing Council noted that energy prices remain highly volatile, although they are close to the baseline in the latest staff projections and remain above levels recorded before the conflict in the Middle East. The ECB reiterated its data-dependent approach, emphasising that future decisions will depend on the evolving inflation outlook, including the duration and broader effects of higher energy prices, as it seeks to return inflation to its 2% target.

FORECAST UPDATE

This week's upside inflation surprise, together with renewed strength in oil prices, has prompted modest upward revisions to our near-term inflation and interest rate forecasts. We now expect headline CPI to average 4.2% in 2026, reflecting both the stronger-than-expected June inflation outcome and higher projected fuel prices over the near term following a small upward revision to our Brent crude oil forecast for the third quarter.

As explained in our **comment,** we do not currently expect any further changes to the policy interest rate during 2026, although there is a risk that the SARB may hike interest rates further if some of the identified risks materialise. We continue to expect the SARB to begin easing monetary policy during 2027, ultimately reversing this year's hikes as interest rates gradually move back towards more neutral levels (around 100–150 basis points of cumulative easing). While manufacturing and mining production suggest the industrial sector likely remained weak in Q2, the retail sales data indicate that household spending may have been somewhat stronger than expected. Although we may still tweak the quarterly growth profile as the forecasting process is finalised, we remain broadly comfortable with our 1.3% GDP growth forecast for 2026.

	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)	9.75	7.00	7.00	7.00	23-Sep-2026	
Headline CPI (y-o-y % change)	3.2	3.3	4.5	4.2	19-Aug-26	Jul
FNAB inflation (y-o-y % change)	4.1	3.9	2.1	3.0	19-Aug-26	Jul
	2025	2026Q1	2026Q2	2026		
Headline PPI (y-o-y % change)	1.5	2.0	6.7	5.1	30-Jul-26	Jun
Real GDP growth (seasonally adjusted)					8-Sep-26	2026Q2
(y-o-y % change)	1.1			1.3		
(q-o-q % change)		0.5	0.2			

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**.*

The table reflects our latest thinking and will be refined as the BER's quarterly forecasting process is finalised. The full forecast publication will be released later this month.

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