BUREAU for ECONOMIC RESEARCH

WEEKLY REVIEW | NUMBER 8 | 27 FEBRUARY 2026

Budget boost meets global tariff wobbles

THE WEEK IN PERSPECTIVE

Tracey-Lee Solomon

Locally, attention was firmly fixed on the national budget. Ultimately, the market response was positive, with SA assets rallying following the conclusion of the Finance Minister's speech. The 2026 Budget marks tangible fiscal progress, with a R28.8bn commodity-driven revenue overrun allowing government to scrap R20bn in proposed tax increases and restore full fiscal drag relief - injecting R13.7bn back into consumers' pockets. While the consolidated deficit path has been revised modestly wider over the medium term, this largely reflects softer nominal GDP and additional non-interest spending pressures, not a reversal of discipline.

The debt ratio is still expected to peak this fiscal year at 78.9% of GDP before gradually declining, supported by a third consecutive primary surplus and restrained non-interest spending growth. The funding strategy also points to improved credibility, with lower borrowing costs and stronger market demand helping to reduce projected debt and debt-service costs over the medium term. That said, the fiscal outlook remains sensitive to global shocks and growth outcomes, underscoring that consolidation, while credible, is not yet insulated from risk. Politically, the 2026 National Budget reaffirmed the National Treasury as the strategic centre of a coalition-led state, reflecting an institution that has finally rebounded from attempts over the past decade to infiltrate and weaken it. Premium Insights clients can access our full budget comment online.

On the international front, uncertainty surrounding US tariff policy dominated headlines throughout the week. Following the US Supreme Court's ruling that President Donald Trump's "Liberation Day" tariffs were illegal, attention shifted to the broader rollback of those measures. In the wake of the ruling, Trump announced the introduction of a universal 10% tariff, later threatening to increase it to 15%. The 10% levy was implemented on Tuesday, leaving many countries in limbo. After the initial announcement of reciprocal tariffs, several countries had negotiated revised trade agreements aimed at reducing the proposed levies, often in exchange for sizeable investment commitments. However, the legal standing and continued validity of these agreements are now unclear.

On Monday, the European Parliament halted ratification of its trade agreement with the US, further clouding the global trade outlook. In the US, companies have begun seeking refunds for tariffs already paid. FedEx filed a lawsuit requesting a full refund of duties paid under the emergency tariff measures, underscoring the potential financial and legal ramifications of the Court's decision.

In currency markets, tariff-related volatility contributed to a weaker US dollar. Meanwhile, improved sentiment toward SA following the national budget supported the rand against a range of major currencies. The local currency appreciated by 1.3% against the US dollar, and by 1.0% and 0.9% against the euro and pound, respectively. This improved sentiment was also reflected in the domestic bond market, where yields declined. The 10-year government bond yield fell by 15 bps over the week.

Weekly Key Indicators		
	Close	w-o-w
R/$	R15.95	-1.3%
R/€	R18.82	-1.0%
R/£	R21.55	-0.9%
$/€	$1.18	0.3%
Brent crude oil	$69.92	-2.5%
Gold	$5 177	3.4%
Platinum	$2 255	8.9%
JSE ALSI	126 583	3.9%
10y gov. bond	7.89	-15bps
FRA (1x4)*	6.62	-3bps

*Forward rate agreement

Global equity markets ended the week higher, despite an initial bout of weakness following the US tariff announcements. In the US, AI-related stocks once again led gains, helping to lift the S&P 500 by 1.2% w-o-w. Locally, the JSE All Share Index advanced by 4.0%, supported largely by a 10% surge in the JSE Resources Index amid firmer commodity prices. Platinum prices rose by 8.9% w-o-w, while gold increased by 3.4%, with the latter remaining firmly above $5 000/oz after a slump last week. Precious metals continued to benefit from heightened tariff uncertainty as well as ongoing geopolitical tensions between the US and Iran.

The Brent crude oil price held close to $71 per barrel, despite relatively weak underlying supply and demand fundamentals, as the Middle East risk premium remained embedded in the price. Markets closely monitored US–Iran talks held in Geneva on Thursday, where the US reiterated President Trump's intention to curb Iran's nuclear programme. Concurrently, the US has threatened to deploy a significant number of aircraft and warships to the Middle East, where it has already increased its military presence. During the week, American forces seized an oil tanker in the Indian Ocean linked to Iran-related sanctions. Iran, for its part, has pledged to continue uranium enrichment and warned that, in the event of an attack, it would consider US military bases in the region legitimate targets. In other geopolitical developments, the war between Russia and Ukraine entered its fifth year this week, with no immediate resolution in sight. Finally, OPEC+ is scheduled to meet this weekend to discuss its April production policy, with some delegates signalling that modest output increases could resume.

WEEK AHEAD: SA BUSINESS SENTIMENT IN FOCUS

The BER will publish two key reads on momentum in 2026Q1 next week. Monday morning brings the Absa PMI, which showed a tentative recovery in January following a bleak 2025Q4—also reflected in weak official data for the quarter. Naamsa new vehicle sales, and later the week the S&P Global PMI for South Africa, will provide further insight into activity and demand conditions in February.

The headline domestic release will be the RMB/BER Business Confidence Index (BCI) on Wednesday. The BCI is a pure sentiment measure and a reliable gauge of cyclical momentum (or the lack thereof) in the economy. A sustained improvement in confidence would be an important catalyst for much-needed investment and employment growth.

Internationally, final PMI readings from Europe and the US will follow the earlier flash estimates, while China publishes its first February PMI prints. Markets are also likely to remain focused on the fallout from Trump's tariff escalation and broader geopolitical developments.

Date	Event	Latest
Monday (02 Mar)	SA: Absa Manufacturing PMI (Feb)	48.7
Monday (02 Mar)	CN: Rating Dog Manufacturing PMI (Feb)	50.3
Monday (02 Mar)	US: ISM Manufacturing PMI (Feb)	52.6
Monday (02 Mar)	SA: Total New Vehicle Sales (Feb)	50.07K
Tuesday (03 Mar)	EZ: Consumer Inflation Rate (flash, Feb)	1.7% y-o-y
Wednesday (04 Mar)	CN: NBS Manufacturing PMI, Rating Dog Composite PMI (Feb)	49.3; 51.6
Wednesday (04 Mar)	SA: RMB/BER BCI (Q1)	44
Wednesday (04 Mar)	SA: S&P Global PMI (Feb)	50.0
Wednesday (04 Mar)	EZ: Unemployment rate, PPI (Jan)	6.2%; -2.1% y-o-y
Wednesday (04 Mar)	US: ISM Services PMI (Feb)	53.8
Thursday (05 Mar)	EZ: Retail Sales (Jan)	1.3% y-o-y; -0.5% m-o-m
Friday (06 Mar)	EZ: GDP Growth Rate (Q4)	1.4% y-o-y
Friday (06 Mar)	US: Unemployment Rate (Feb)	4.3%
Friday (06 Mar)	SA: Foreign Exchange Reserves (Feb)	$80.19B

SA POLITICS

Natasha Marrian

RACE FOR THE CITY OF JOHANNESBURG HOTS UP

ANC regional chair Luyiso Masuku was elected the City's first deputy mayor by council this week, positioning her for a run as the party's mayoral candidate in the 2026 local government elections. Incumbent Dada Morero now faces the remainder of his term with his senior in party structures firmly at his side, potentially constraining his room for manoeuvre.

The DA is reportedly moving to bring federal executive chair and mayoral candidate Helen Zille into the council months ahead of the election. The City is expected to be fiercely contested, given the deepening service delivery crisis affecting communities from affluent suburbs to informal settlements.

ActionSA has, predictably, confirmed Herman Mashaba as its mayoral candidate. Mashaba's personal brand remains stronger than that of the party; he retains support in Johannesburg, particularly for his populist and hardline stance on illegal migration. For ActionSA, the contest is also about political survival. Mashaba's profile helped the DA take control of the City in 2016 and later propelled ActionSA to become the third-largest party in Johannesburg after the 2021 local government election. That poll marked the party's breakthrough, securing 16% (296 345 votes) in the City.

However, its performance in the 2024 general election was a severe setback. On the provincial ballot in Johannesburg, with Funzi Ngobeni as premier candidate, ActionSA secured just 88 013 votes. Its regional and national tallies were even weaker, at 86 172 and 67 626 votes respectively. While local and national dynamics differ significantly, the party is banking on its positioning as a "local" force, with Mashaba front and centre, to regain ground. It knows its strongest base lies in Johannesburg, both in 2021 and in its diminished 2024 showing.

ELECTORAL COMMISSION FLAGS CONCERNS OVER ELECTORAL CLIMATE IN KZN

KwaZulu-Natal has been a flashpoint in SA elections since 1994, and the upcoming local government poll is unlikely to be an exception. Speaking to the BER this week, IEC chief electoral officer Sy Mamabolo expressed concern about trust levels in the province.

"We are concerned about the electoral climate in KwaZulu-Natal. This is informed by a history of violence, especially in local government elections … and when internal party nominations start," he said, referring to processes to select councillor candidates.

In the 2024 election, attacks on the IEC by political parties in the province contributed to what Mamabolo described as a "low-trust environment", potentially affecting both preparations and the conduct of the poll itself. The Commission is ramping up voter education and engagement campaigns in an effort to rebuild confidence.

A further concern is the delay in hearing Jacob Zuma's MK Party court challenge to the 2024 election outcome. The BER understands that the matter has yet to be heard, posing an additional risk in an already volatile provincial climate.

DOMESTIC DATA

PPI DIPS AT THE START OF 2026

According to Stats SA, annual producer price inflation (PPI) for final manufactured goods came in at 2.2% in January, down from 2.9% recorded in the last three months of 2025. The average PPI for 2025 was 1.5%. Despite the headline PPI moving down, there is still some concentrated pipeline pressure building. Intermediate manufactured goods rose by 10.5% y-o-y, driven entirely by basic and fabricated metals (25.5% y-o-y; +11.8 percentage points).

INTERNATIONAL DATA

Nadia Matulich

US GDP WELL BELOW 3% CONSENSUS

Released last Friday, advance estimates for 2025Q4 US GDP showed a 1.4% expansion, the slowest pace since the 0.6% contraction recorded in the first quarter and a marked slowdown from 4.4% in Q3. Growth moderated primarily due to slower consumer spending, which eased from 3.5% to 2.4% (s.a.a.r), alongside contractions in exports, which fell from 9.6% to -0.9%, and government spending, which declined from 2.2% to -

5.1%. By contrast, fixed investment strengthened from 0% to 3.8%, supported in particular by a 7.4% increase in investment in intellectual property products and a 3.2% rise in equipment investment.

Imports declined for a third consecutive quarter. After surging by 38% in 2025Q1, imports fell by 29.3%, 4.4% and 1.3% in subsequent quarters. The most recent decline was notably the mildest of the year, suggesting some stabilisation following the implementation of tariffs. Final GDP data is scheduled for release on 13 March.

On the sentiment front, the University of Michigan Consumer Sentiment Index was revised down to 56.6 in February from a preliminary 57.3, and was broadly unchanged from January's 56.4. The Conference Board Consumer Confidence Index increased by 2.2 points to 91.2 in February, but remains well below the four year high of 112.8 recorded in November 2024.

CAUTIOUS IMPROVEMENTS IN GERMANY SUPPORT THE EURO AREA

In the Eurozone, several sentiment indicators pointed to tentative stabilisation. Germany's Q4 GDP growth was confirmed at 0.3% q-o-q.

The GfK Consumer Climate indicator declined to -24.7 in January from a revised -24.2 in February. Willingness to buy improved slightly to -5.3 from -9.3 in January, but remains weak, while willingness to save edged up to 18.8 from 18.9, indicating that households are choosing to save rising incomes rather than spend them amid continued uncertainty. Economic expectations deteriorated from 6.6 to 4.3 in February, while income expectations improved from 5.1 to 6.3. Overall, the survey suggests modest economic improvement but persistent scepticism, reflecting geopolitical tensions and ongoing social policy challenges.

The Ifo Business Climate Index improved from 87.6 to 88.6, with expectations also strengthening and signalling early signs of recovery in the German economy. Manufacturing, services and construction recorded improvements, while trade weakened slightly. The outlook for the coming months improved, suggesting that although current conditions remain subdued, firms expect some near-term recovery.

FORECAST UPDATE

We have not made any changes to our forecast. While the Brent crude oil price is currently trading well above our $65/bbl average for 2026Q1, the full-quarter average remains close to our forecast (at $66). The rand exchange rate is averaging a little stronger (about 15c) than our forecast for the first quarter.

	Actual		Forecast		Next release/meeting
	2025	2025Q4	2026Q1	2026	
Brent crude oil ($, spot, avg.)	68	62.33	65	63	n/a
ZAR/USD (avg.)	17.88	17.10	16.32	16.27	n/a
Prime interest rate (%, end of period)	11.25	10.25	10.0	9.5	26-Mar-26
Headline CPI (y-o-y % change)	3.2	3.6	3.3	3.0	18-Mar-26 Feb

FNAB inflation (y-o-y % change)	4.1	4.2	4.5	3.7		18-Mar-26	Feb
Headline PPI (y-o-y % change)	1.5	2.9	1.8	1.7		26-Mar-26	Feb
	2024	**2025Q3**	**2025Q4**	**2025**	**2026**		
Real GDP growth (seasonally adjusted)							
(y-o-y % change)	0.5	1.9	1.8	1.3	1.8	10-Mar-26	2025Q4
(q-o-q % change)	n/a	0.5	0.3	n/a	n/a		

Source: BER, Stats SA, Refinitv, 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

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