BUREAU for ECONOMIC RESEARCH

WEEKLY REVIEW | NUMBER 28 | 31 JULY 2026

US Fed fog, volatile oil and institutional tests at home

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

The Middle East conflict showed further signs of widening this week, even as diplomatic efforts reportedly continued. After a brief pause, the US and Iran exchanged strikes again, although the American response was less extensive than President Donald Trump had threatened. At the same time, Saudi Arabia confirmed that it had joined the US in striking Iran-backed militias in Iraq following attacks on its oil facilities. Two liquefied natural gas vessels near Egypt's Mediterranean coast were also reportedly struck by drones. While the origin of those attacks remains unclear, the incident highlighted the vulnerability of another critical global trade artery, the Suez Canal, and the potential for the conflict to disrupt shipping well beyond the Persian Gulf.

Oil prices reflected this uneasy combination of expanding conflict and intermittent diplomatic hope. Brent crude surged above $100/bbl during the week before retreating to around $90, almost 11% lower than a week earlier. However, this remains substantially higher than at the start of July, when more benign conditions saw Brent trading near $70. For now, oil appears to be settling around a considerably higher level as markets absorb a larger and potentially more persistent geopolitical risk premium. There is also an increasingly visible political tension around the price itself: Washington appears keen to prevent oil from remaining above $100/bbl, given the inflationary and domestic political consequences, while Iran has little incentive to see prices fall back towards pre-war levels. The oil market is therefore caught between US pressure for relief and Iran's incentive to preserve the economic leverage created by higher prices.

SA financial markets benefitted from the pullback in oil and a softer dollar. The rand strengthened by 1.3% against the dollar, the JSE All Share gained 1.9%, and the benchmark 10-year government bond yield declined by around 20 bps. These moves provided some welcome short-term relief, particularly given SA's dependence on imported energy. However, they sit uneasily alongside a conflict that is widening geographically, drawing in more regional actors and threatening an expanding range of energy infrastructure and shipping routes. A more direct implication is that diesel prices are expected to rise again this week, while the sizeable decline in petrol is almost fully eroded.

The US Federal Reserve left interest rates unchanged, as expected, but the decision still had significant market implications. Unusually, three members dissented in favour of a 25 bps increase. Chair Kevin Warsh again avoided giving clear forward guidance, continuing the more stripped-back communication approach he introduced at his first meeting – even suggesting he might do away with the press conference. Rather than reassuring investors, this appeared to leave markets with less clarity about how the Committee is weighing inflation risks against signs of slower growth. Longer-dated Treasury yields rose to levels last seen in 2007, while equities weakened as investors confronted the prospect that financial conditions could remain restrictive for longer. Indeed, global equity markets were volatile last week. A sharp AI-led sell-off gave way to tentative signs of stabilisation by Friday morning, with South Korean equities posting a record rebound as investors grew more confident that the unwinding of leveraged positions was nearing an end. US GDP growth slowed to an annualised 1.5% in the second quarter, below expectations. The composition was less concerning than the headline suggested, with higher imports and weaker government spending weighing on growth while underlying private domestic demand strengthened. Even so, the combination of above-target inflation, slower headline growth and an intensifying energy shock leaves the Fed with an increasingly difficult balancing act.

Weekly Key Indicators		
	Close	w-o-w
R/$	R16.53	-1.3%
R/€	R19.01	-0.2%
R/£	R22.19	-0.5%
$/€	$1.15	1.2%
Brent crude oil	$89.77	-10.9%
Gold	$4 086	0.8%
Platinum	$1 621	0.9%
JSE ALSI	110 440	1.9%
10y gov. bond	8.77	-20bps
FRA (1x4)*	7.01	0bps

*Forward rate agreement

Back home, the week again illustrated the tension between institutional weakness and signs of repair. Serious allegations concerning the former leadership of the Independent Directorate Against Corruption (IDAC) have raised fresh questions about the capacity of institutions established to address state capture. At the same time, the appointment of a new Public Investment Corporation (PIC) board represents an attempt to restore governance and stability at an institution responsible for managing R3.8 trillion in public servants' pensions. These developments matter not only politically but also for confidence in the state's ability to enforce accountability and manage public resources effectively.

A positive development was that Eskom's energy availability factor briefly exceeded 80% in mid-July for the first time since 2017. A single reading does not guarantee a lasting improvement, but it adds to the evidence that electricity supply is becoming more reliable. At a time when worsening geopolitical risks and renewed concerns about institutional capacity dominate the headlines, the gradual easing of one of SA's most binding structural constraints provides a silver lining.

WEEK AHEAD: FOCUS SHIFTS TO US JOBS DATA; FIRST JULY DATA FOR SA

Next week, attention will shift from central banks to economic data, with Friday's US employment report likely to be the main market-moving event. With little guidance from Warsh, investors will look to the July non-farm payrolls and unemployment rate for further clues on the strength of the US economy and whether another rate hike later this year is possible. A stronger-than-expected labour market could reinforce the Fed's cautious stance, while signs of a more pronounced slowdown may revive expectations that the current policy rate has reached its peak.

Closer to home, the focus will be on business activity indicators. The Absa Manufacturing PMI and S&P Global PMI will provide the first insight into how SA firms fared at the start of Q3, another month of global uncertainty and rising Brent crude oil prices. New vehicle sales will offer a timely gauge of domestic demand, while the latest foreign exchange reserve data will be monitored for any notable changes following recent volatility in global financial markets.

Elsewhere, China's official manufacturing and composite PMI surveys will provide an update on whether recent policy support is beginning to translate into stronger economic activity. In the Eurozone, producer prices and retail sales will offer further clues on inflation pressures and the strength of consumer demand, while the US ISM manufacturing and services PMIs will help assess whether business activity remains resilient.

Date	Event	Latest
Monday (3 Aug)	SA: Absa Manufacturing PMI (Jul)	47.3
Monday (3 Aug)	CN: RatingDog Manufacturing PMI (Jul)	51.7
Monday (3 Aug)	US: ISM Manufacturing PMI (Jul)	53.3
Monday (3 Aug)	SA: Total New Vehicle Sales (Jul)	54.5K
Wednesday (5 Aug)	SA: S&P Global PMI (Jul)	50.5
Wednesday (5 Aug)	CN: RatingDog Composite PMI (Jul)	53.6
Wednesday (5 Aug)	EZ: PPI (Jun)	5.9% y-o-y; 0.2% m-o-m
Wednesday (5 Aug)	US: ISM Services PMI (Jul)	54
Thursday (5 Aug)	EZ: Retail Sales (Jun)	1.6% y-o-y; 0.2% m-o-m
Friday (5 Aug)	US: Non-farm Payrolls, Unemployment (Jul)	57K; 4.2%
Friday (5 Aug)	SA: Foreign Exchange Reserves (Jul)	$74.1B

SA POLITICAL UPDATE

Natasha Marrian

COUNTDOWN TO ELECTIONS: COALITIONS TOP OF MIND WITH 90 DAYS TO GO

SA enters the final stretch toward the 2026 Local Government Election, widely expected to be the most hotly contested poll since 2000. The IEC will host its final voter registration this weekend. Both the ANC and the DA will launch their election manifestos in the coming weeks. The councillor and mayoral selection processes are almost at an end for parties across the board. The DA has confirmed August 8 as the date for its manifesto launch, to take place in the City of Johannesburg. The ANC launches its manifesto a week later, on August 15, in an historic stronghold, Diepsloot in Johannesburg.

The ANC has made far-reaching changes in how it selects representatives, particularly mayoral candidates in the country's eight metros. Chief among these is the City of Johannesburg, where the ANC is considering veteran technocrat Frank Chikane as its mayoral candidate. The DA's Helen Zille, meanwhile, is entering the final stretch of a campaign that has been highly visible from the outset. Johannesburg is likely to be hung once again after the November 4 poll, raising familiar questions of which parties will govern the city, and whether that arrangement can finally **arrest its long-running decline.**

A push for centralised control

This week, the ANC's Limpopo chairwoman, Phophi Ramathube, advocated strongly for a centralised, nationally led approach to coalition negotiations. Coming from Ramathube, this is a significant intervention, one that bears most heavily on two of the ANC's weakest provinces, Gauteng and KwaZulu-Natal. A centralised approach would mean the ANC's national leadership, rather than provincial structures, would have final say over the direction of coalition talks.

In Gauteng, the ANC opted in 2024 for a minority government rather than co-governing with the DA, reflecting how little goodwill exists between the two parties at the provincial level. Yet at the metro level, an ANC-DA arrangement could remain the only realistic route to stability and potential reform for rate-paying residents. Gauteng is also Deputy President Paul Mashatile's home base.

Not a new playbook

Centralising negotiations is not a new idea. National leaders, such as Mashatile and then-deputy secretary general Jessie Duarte, took direct control of talks in 2021. The result: Johannesburg and Ekurhuleni ended up with coalitions anchored by the ANC and the EFF, propped up by a host of smaller, opportunistic parties supplying the numbers needed to control the council.

After the 2026 poll, the same senior figures are likely to be back at the centre of coalition talks, but with higher stakes. Mashatile is a front-runner for the ANC presidency, in a contest against secretary general Fikile Mbalula, who is also expected to play a significant role in negotiations. Succession dynamics are likely to shape the talks, particularly around the DA: Mashatile has favoured coalitions with the EFF and smaller parties over the ANC's current national arrangement with the DA, while Mbalula is understood to be more open to working with the DA. In the end, though, the numbers on the ground will determine the shape of coalitions across the board.

Legislation unlikely to land in time

The cabinet this week approved the Coalitions Bill, which introduces a vote threshold for smaller parties to win council seats. It is unlikely, however, that the legislation will be finalised and signed into law before the election. The ANC and DA have previously clashed over an earlier version of the bill, which paired the threshold with a proposal to shift governance in hung cities from a mayoral executive system to a collective executive or executive committee system. The ANC favours a collective system; the DA has rejected the change.

BIG WEEK FOR IDAC AND THE NPA

After a dramatic week for the IDAC, Justice Minister Mmamoloko Kubayi moved to assure the public that the institution will remain intact after devastating allegations against its former head, Andrea Johnson, before the Madlanga Commission. This reassurance from the Ramaphosa administration is welcome, given that IDAC’s mandate homed in on the most pervasive forms of corruption and fraud at all levels of the state. It was formed in the aftermath of the Commission of Inquiry into State Capture to investigate complex corruption cases across state institutions. However, testimony this week alleged that Johnson and senior investigators were involved in a plot to seize control of the SA Police Service by targeting senior SAPS leaders, including now-suspended national commissioner Fannie Masemola and crime intelligence head Dumisani Khumalo.

An audit of all 146 employees at IDAC has commenced after Johnson's departure. The Special Investigating Unit is seconding an experienced investigator to conduct a full audit of all cases enrolled by IDAC since its inception. Cases against Masemola and Khumalo have been provisionally withdrawn. Meanwhile, legislation to strengthen oversight and accountability mechanisms over IDAC is being considered as part of the overall review of the NPA Act.

CABINET APPROVES A NEW PIC BOARD

In our **mid-week update** on the extraordinary developments at the PIC, we noted that judgement had been reserved in the case brought by suspended chief executive Patrick Dlamini to return to his post. By late Thursday, the judgement remained pending. However, Wednesday's Cabinet meeting approved the new board of the PIC after the mass resignation of its directors last week at Finance Minister Enoch Godongwana's insistence.

Deputy Minister in the Presidency Seiso Mohai has been appointed to chair the board, replacing Deputy Finance Minister David Masondo. The BER understands that the move to shift the chairmanship out of the National Treasury and into the Presidency was a deliberate one, with the treasury retaining representation on the board, as legislated, through the appointment of Chief Director Moipone Ramoipone.

President Cyril Ramaphosa played a central role in appointing the eight non-executive directors of the board, who face the hefty task of restoring corporate governance and institutional stability. There are heavy hitters appointed to the new board, in stark contrast to the last cohort, which insiders described as "lightweight" in terms of experience.

The board includes candidates with experience in institutional and asset management, such as Vivien McMenamin, the CEO of Mondi; Bajabulile Swazi Tshabalala, a former Senior Vice President of the African Development Bank; and Lebogang Mokgabudi, formerly a senior manager at Visa. Patience Nqetho, deputy chair of the DBSA board, was also announced as a non-executive director, and Advocate Gatlelane Ouma Rasethaba provides the exact forensics and legal weight needed to handle the PIC's current forensic probes. Chartered accountant, formerly of PwC and Absa, Itani Mafune rounds off the new board.

The first task for the board would undoubtedly be a decision to potentially review Dlamini's suspension, which is currently before the courts. Insiders say there is appetite within the Treasury and the Presidency for his speedy return, however, court processes must be respected and allowed to unfold.

DOMESTIC DATA

Paul Gluckman

SARB'S MONTHLY LEADING INDICATOR DECLINES FURTHER IN MAY

The composite leading business cycle indicator, a gauge of future economic activity, dropped by 0.3% in May, following a revised 2% decrease in April. The split between the 10 available forward-looking components was balanced (five positive and five negative changes), but the overall index remained slightly weighted to the downside. The RMB/BER Business Confidence Index, which fell from 47 to 39 in 2026Q2, was the largest negative contributor, followed by a decline in the number of residential building plans approved. These were partially offset by stronger growth in real M1 money supply and new passenger vehicle sales, resulting in only a modest decline in the overall indicator.

Furthermore, the coincident business cycle indicator decreased by 0.4% in April, reflecting weaker wholesale, retail and motor trade sales. While the lagging indicator rose by 0.1% in the same month, it remains well below levels seen in recent years.

PRIVATE SECTOR CREDIT CONTINUES TO MODERATE, WHILE FUEL PRICES KEEP PPI HIGH

Annual growth in private sector credit decelerated from 8.6% in May to 7.8% in June. This marks the third consecutive monthly slowdown, following a period of relatively strong credit growth since early 2025. Although credit growth remains robust by historical standards, the moderation is consistent with tighter financial conditions following higher borrowing costs and elevated inflation.

Indeed, headline producer inflation eased slightly from 7.8% y-o-y in May to 7.5% in June. Coke, petroleum, chemical, rubber and plastic products remained the largest positive contributor (22.0% y-o-y; 4.7 % pts), reflecting still-elevated fuel prices. On a monthly basis, PPI declined by 0.1%, the first monthly decrease since the Strait of Hormuz was first closed, largely reflecting lower diesel prices (-9.6%), food products (-0.5%), and furniture and other manufacturing (-2.5%).

STRONG NEW VEHICLE SALES CUSHION WEAKER MOTOR TRADE ACTIVITY

Annual motor trade sales were unchanged in May, following 6.1% growth in April. New vehicle sales continued to perform strongly (15.2% y-o-y; 3.9 % pts), while income from convenience stores also supported the annual outcome (7.1% y-o-y; 0.2 % pts). However, lower fuel sales (-8.6% y-o-y; -2.1 % pts), together with declines in workshop income (-10.6% y-o-y; -0.4 % pts) and accessory sales (-7.0% y-o-y; -1.5 % pts), point to broader weakness across the motor trade sector. On a monthly basis, motor trade sales declined by 2.2% in May, with new vehicle sales the only category to record an increase.

INTERNATIONAL DATA

Nomvelo Moima

A DIVIDED US FED AND A HAWKISH BOE DELIVER HOLDS

The US Fed decided to keep the federal funds rate at 3.50-3.75% by a 9-3 vote, with the three dissenting members of the FOMC voting in favour of a 25 bps hike. Uncertainty about the possible direction of rates around the July meeting was omnipresent, as markets were still pricing in a 36% to 38% probability of a surprise 25 bps rate cut ahead of Wednesday's decision, highlighting the unusually uncertain policy outlook. Although in the post-meeting press conference, Fed chair Kevin Warsh reaffirmed the Fed's commitment to its 2% inflation target, stating “there is no soft inflation, there is no implicit target, not on this committee's watch”. However, his remarks provided little additional guidance on the likely policy path, leaving markets to weigh persistent inflation against signs of moderating growth and renewed geopolitical risks.

Across the Atlantic, the BoE also met to decide on the path for UK interest rates. As expected, the Bank's monetary policy committee (MPC) voted to keep interest rates steady at 3.75% at the July meeting. However, the share of votes in favour of a hike rose from two at the previous meeting to three, with the vote split six to three in favour of a hold this week. Despite the hold, the BoE struck a hawkish tone, promising to act to ensure that inflation, which they project will accelerate due to higher energy costs through the rest of the year but peak lower than previously expected, returns to their 2% target.

US PCE INFLATION AND GDP GROWTH SOFTEN

The Fed's preferred measure of inflation, core PCE inflation, released a day after the rate decision, eased 3.3% y-o-y in June, down from 3.4% y-o-y in the prior month, reflecting a 0.1% m-o-m increase. This slightly undershot consensus expectations of a 0.2% m-o-m rise. Meanwhile, overall PCE inflation rose by 3.4% y-o-y in June, from 4.1% y-o-y in May. Notably, in line with the benign June CPI reading, which the FOMC had on hand going into the July meeting, the softer reading was mostly driven by lower fuel prices following the temporary US-Iran truce during the month.

Still in the US, economic growth is estimated to have slowed in Q2. Real GDP growth came in at a below-consensus 1.5% q-o-q (saar) rate in 2026Q2, after growing by 2.1% in 26Q1. This came as a rise in imports and slower government spending dragged on overall GDP growth. However, underlying growth strengthened, as real final sales to private domestic purchasers rose by 3.9% q-o-q (saar), up from 1.7% in Q1 and AI-driven investment continued to contribute positively to growth.

EZ ECONOMY PROVES RESILIENT

Preliminary estimates show that EZ GDP grew by 1% y-o-y during 2026Q2, expanding at twice the pace expected by consensus, which had forecast a consecutive quarter of 0.5% growth. On a quarterly basis, growth also outpaced expectations, accelerating by 0.4% in 26Q2, marking the fastest pace of expansion since 2025Q1, an encouraging outcome against a backdrop of elevated energy prices and geopolitical uncertainty. The expansion was broad-based, with all the bloc's largest economies expanding. Germany, France and Italy were all estimated to have grown by 0.2% q-o-q, while Spain led with growth of 0.7% q-o-q.

Also delivering a positive surprise, the ifo Business Climate Index improved for a third straight month, edging up to 86.6 points in July from 85.7 in June. The improvement was driven by a considerable brightening in expectations for the coming months (up from 84.3 to 86.7 points). However, tensions in the Middle East continue to weigh on perceptions of the current operating environment, and given that confidence has not returned to pre-war levels, prolonged tensions could reverse the recent positive momentum.

FORECAST UPDATE

We have not made major changes to our headline GDP forecast. The stronger-than-expected first-quarter GDP outcome provided the economy with a firmer starting point than anticipated, while household spending has remained more resilient than expected despite higher fuel prices and borrowing costs. We therefore remain comfortable with our forecast of 1.3% real GDP growth in 2026, although the quarterly growth profile has been revised slightly to reflect weaker momentum in the second quarter. One notable downward revision is fixed investment given the weaker-than-expected outcome for Q1 along with softer Q2 business confidence amid an increase in economic uncertainty.

Recent developments have reinforced our view that inflation risks remain skewed to the upside, despite fuel price pressures easing from their recent peaks. We continue to forecast headline inflation averaging 4.2% in 2026, while recognising that the outlook remains highly sensitive to oil prices, geopolitical developments and the exchange rate. Our baseline remains that the SARB will keep the repo rate unchanged for the remainder of the year, before gradually easing in 2027.

Perhaps the most important message from our latest forecast is that resilience should not be mistaken for acceleration. The SA economy has weathered the recent energy shock better than initially feared, helping to keep our 2026 growth forecast unchanged. However, that resilience has been uneven. Household consumption has continued to hold up, while the investment outlook has weakened materially. Without a meaningful recovery in fixed investment, SA is unlikely to lift its medium-term growth rate much beyond its current trajectory.

Updated summary forecast tables can be found here, with the full set of available forecasts on the Data Portal, here.

	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	4.6	4.2	19-Aug-26	Jul
FNAB inflation (y-o-y % change)	4.1	3.9	2.1	3.0	19-Aug-26	Jul
Headline PPI (y-o-y % change)	1.5	6.7	5.9	5.1	30-Jul-26	Jun
	2025	**2026Q1**	**2026Q2**	**2026**		
Real GDP growth (seasonally adjusted)					8-Sep-26	2026Q2
(y-o-y % change)	1.1	2.0	1.3	1.3		
(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.

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

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