BER BUREAU for ECONOMIC RESEARCH

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Markets bet on a Strait deal as MKP reshapes the local coalition map

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

Global equities rebounded strongly this week as investors grew more confident that the longer-term artificial-intelligence investment story remained intact and the unwinding of leveraged positions was nearing an end. The S&P 500 reached a fresh record high on Tuesday before easing slightly, while the major US indices still recorded strong gains for the week. The rebound was also supported by the first credible signs that the economic consequences of the Middle East conflict could begin to ease. Iran and Oman reportedly made progress towards agreeing on the coordinates of a shipping route through the Strait of Hormuz, raising hopes that commercial traffic could gradually resume. Discussions about de-mining the waterway are particularly important: even without a broader peace agreement, safer passage through the Strait would materially reduce the immediate threat to global oil supply and shipping costs. Brent crude fell by almost 10% over the week, briefly trading below $80/bbl as optimism around the proposed Strait arrangement built. Prices have since edged back to about $84/bbl as markets reassess the timing and conditions of any reopening, but remain well below the >$100 levels reached during the most intense phase of the conflict.

Financial markets responded strongly to the improved geopolitical tone. Locally, the rand strengthened by 1.2% against the dollar, the JSE All Share gained 3.2% and the benchmark 10-year government bond yield declined by 23 bps.

Markets may nevertheless be getting ahead of the diplomacy. The proposed arrangement remains narrow and conditional, rather than a settlement of the wider conflict. Iran has linked the reopening of the Strait to the lifting of the US blockade of its ports, while Washington has resisted any agreement that could be interpreted as granting Iran control over international shipping lanes. The proposed division of the Strait would itself represent a notable concession: inbound vessels would reportedly use a lane closer to Iran and fall under greater Iranian oversight. Tehran has also sought to bar Israeli and potentially US vessels, while reserving the right to impose charges on ships linked to countries it regards as hostile. The direct impact on US and Israeli commercial shipping may be limited, but the principle is considerably more important: it would give Iran a role in determining who may use one of the world's most important international waterways and on what terms. That is a significant departure from Washington's earlier insistence on unrestricted, toll-free passage. The question is, therefore, whether President Donald Trump will ultimately accept the proposed terms. He has reasons to resist an arrangement that appears to reward Iran, but also much to gain from lower oil prices, easing inflation pressure and a diplomatic outcome that can be presented as the result of US military pressure. The broader conflict may remain unresolved for some

Weekly Key Indicators

	Close	w-o-w
R/$	R16.33	-1.2%
R/€	R18.83	-0.9%
R/£	R21.98	-0.9%
$/€	$1.15	0.3%
Brent crude oil	$80.22	-9.9%
Gold	$4 264	4.4%
Platinum	$1 728	6.6%
JSE ALSI	115 416	3.2%
10y gov. bond	8.55	-23bps
FRA (1x4)*	6.99	-1bps

*Forward rate agreement

time; markets are instead clutching at early signs that its global economic costs may become less severe.

In all, the speed of the broad recovery in equities and non-oil commodity markets is notable, and perhaps slightly uncomfortable, given that neither the geopolitical backdrop nor the questions surrounding the eventual returns on exceptionally high AI-related capital expenditure have been resolved. For AI in particular, investors appear willing to treat the rout as a positioning shock rather than evidence that the AI boom has fundamentally broken down.

Incoming US data also provided some support for the recovery. Manufacturing activity accelerated in July, while services remained in expansion territory and new orders strengthened. However, the labour-market picture was less clear-cut. Job openings fell in June and the employment component of the services PMI slipped back into contraction, suggesting that hiring demand may be cooling even as economic activity remains relatively firm. The July non-farm payrolls report, due later today, will therefore be important in determining whether this represents a meaningful softening in the labour market or merely some moderation after a strong first half of the year.

Elsewhere, the global growth picture remained uneven rather than uniformly weak. China's composite PMI stayed above the neutral 50 mark in July but declined sharply, pointing to a slower pace of expansion across manufacturing and services. In the eurozone, producer-price inflation eased as energy costs fell, but retail sales weakened, suggesting that lower upstream price pressures have yet to translate into a convincing improvement in household demand.

At home, the economic data remained mixed. The Absa PMI pointed to continued pressure in manufacturing, although some of the underlying components were less weak than the headline suggested, while the broader S&P Global PMI offered a somewhat firmer reading of private-sector activity. Taken together, the surveys suggest that momentum remains subdued rather than collapsing outright.

On the local politics front, new polling sharpened the risks surrounding next year's local elections. MKP's growing support could make it pivotal in several major metros, increasing the likelihood that the ANC will face a choice between more stable cooperation with the DA and less predictable coalitions involving MKP, the EFF and smaller parties. The decision will have direct implications for municipal finances, service delivery and the pace of local-government reform.

Premium Insights clients who would still like to attend this morning's **2026Q3 forecast webinar** (7 August, 11:00–12:00) can email **lisette@sun.ac.za** for the link.

WEEK AHEAD: SA DATA TO TEST THE Q2 GROWTH OUTLOOK

In SA, attention will focus on second-quarter unemployment and June manufacturing and mining production. The first-quarter Quarterly Labour Force Survey (QLFS) was particularly weak, with employment falling sharply and the unemployment rate rising to 32.7%. June output will also be crucial for the quarterly growth picture. With both manufacturing and mining already in negative territory on a rolling three-month basis through May, strong June readings will be needed to prevent a contraction in the second quarter. Rebounds of the required magnitude look unlikely. Further disappointment would reinforce expectations that economic momentum weakened materially during the quarter, making a sharp rebound in employment unlikely.

In the US, markets will closely watch July CPI and PPI inflation, followed by retail sales. The July non-farm payrolls report, due later today, will first provide an updated read on labour-market momentum and could materially shape expectations ahead of next week's inflation data. After the Federal Reserve left interest rates unchanged last week but offered little guidance on the future policy path, investors remain highly sensitive to evidence of weaker labour demand and signs that inflationary pressures are either easing or becoming more entrenched. Retail sales will also indicate whether household spending continues to underpin economic activity despite elevated interest rates and higher energy costs.

In the UK, preliminary second-quarter GDP, together with June industrial and manufacturing production, will indicate whether the economy maintained its recent resilience despite the renewed energy price shock. With the Bank of England signalling that it stands ready to tighten policy further if necessary, stronger-than-expected activity could reinforce expectations that interest rates will remain higher for longer.

Date	Event	Latest
Tuesday (11 Aug)	SA: Unemployment Rate (Q2)	32.7%
Tuesday (11 Aug)	SA: Manufacturing Production (Jun)	-4.3% y-o-y; 1.1% m-o-m
Wednesday (12 Aug)	US: Consumer Inflation (Jul)	3.5% y-o-y; -0.4% m-o-m
Thursday (13 Aug)	UK: GDP Growth Rate (Prel, Q2)	0.9% y-o-y; 0.6% q-o-q
Thursday (13 Aug)	UK: GDP, Industrial production, Manufacturing production (Jun)	1.3% y-o-y; 1% y-o-y; 2.3% y-o-y
Thursday (13 Aug)	SA: Mining Production (Jun)	-5.4% y-o-y; -5.2% m-o-m
Thursday (13 Aug)	US: PPI (Jul)	5.5% y-o-y; -0.3% m-o-m
Friday (14 Aug)	US: Retail Sales (Jul)	6.7% y-o-y; 0.2% m-o-m
Friday (14 Aug)	US: Michigan Consumer Sentiment (Prel, Aug)	55.2

SA POLITICAL UPDATE

Natasha Marrian

POLL PUTS MKP AT THE CENTRE OF THE 2026 COALITION EQUATION

The latest round of polling by the Social Research Foundation, published by its media arm, The Common Sense, indicates that Jacob Zuma's MK Party (MKP) could perform well in the upcoming local government election.

The data places the ANC at 34% nationally, a historic low and more than 10% pts below its 2021 performance. The DA is polling at 27%, an improvement on its 2021 result of 22%, while MKP follows with 15%, and the EFF is polling below its 2021 result at 7%.

The DA is polling as Johannesburg's largest party at 42%, with the ANC at 18%. However, MKP, ActionSA and the EFF are polling at 13%, 10% and 8% respectively, meaning the ANC could still assemble a governing coalition with these parties and smaller players such as the Patriotic Alliance. Although the SRF's 2024 polling came closest to the eventual general election outcome, the latest results remain a snapshot rather than a prediction. If they hold, the ANC will face a stark choice in major metros: work with the DA, or pursue broader and potentially less stable coalitions with MKP, ActionSA, the EFF and smaller parties.

Zuma's party is polling at 33% in eThekwini, the country's third-largest city by population. The poll predates his announcement that former mayor Zandile Gumede would be co-opted into the party. Gumede was removed from her post and faced disciplinary proceedings in the ANC after she was arrested in connection with a R320 million solid-waste tender fraud and corruption case.

MKP's growing prominence in major metros poses a risk to municipal stability and reform. The party is highly centralised around Jacob Zuma, lacks transparent internal democratic processes and has adopted shifting policy positions, making it an unpredictable coalition partner. Its links to figures associated with the state-capture era were reinforced this week when Zuma appointed his son Duduzane, a former Gupta employee, as deputy, shortly after meeting Ajay Gupta in India. Bringing MKP into already fragile municipal coalitions could therefore increase governance, policy and financial uncertainty. This would add to existing pressures from failing councils, Treasury's tougher stance on equitable-share transfers and rising municipal debt to Eskom, potentially undermining the GNU's efforts to lift growth.

ANC DIVISIONS DEEPEN OVER POST-2026 COALITIONS

Several views are emerging within the ANC on coalition formation. As noted last week, there are growing calls for talks to be centralised under the national leadership to limit the influence of provincial and local structures with vested interests in council power dynamics. This will be resisted, but the ANC's organisational weakness may make such centralisation easier than in the past.

The national leadership is also divided over which partners the ANC should favour. Some believe the current arrangement with the DA gives the party a "red carpet" into state power, while centrists argue that cooperation with the DA offers a route out of the stagnation of the past 15 years and could accelerate reform. Others prefer coalitions with MKP, the EFF and smaller parties, which they regard as easier to manage. However, these parties compete with the ANC for much of the same voter base and have proved adept at extracting influence disproportionate to their electoral strength.

The ANC is particularly cautious in its approach to MKP because a significant share of its own members could still be persuaded to defect to Zuma's party. The BER understands that there is broad agreement across ANC factions that a tie-up with MKP would trigger volatility, given the party's highly centralised leadership and ideological fluidity.

This creates a clear test in metros such as Johannesburg. The ANC has resolved that the largest party in a council should be given the first opportunity to form a government. If the DA emerges first, an ANC-led alternative involving MKP, the EFF and smaller parties would therefore contradict that principle.

The coalition debate is also feeding into the ANC's succession contest. Deputy President Paul Mashatile is seen as more open to a future national arrangement with MKP and the EFF, while Secretary-General Fikile Mbalula is more likely to favour retaining the GNU in its current form. Internal ANC polling reportedly paints a different picture from the SRF data, but the party's national executive committee will consider the broader electoral landscape when it meets this weekend to finalise its manifesto ahead of the 23 August launch.

PIC'S DLAMINI REINSTATED BY HIGH COURT

Public Investment Corporation (PIC) chief executive Patrick Dlamini was reinstated after the High Court ruled in his favour in an urgent interdict challenging his suspension by the asset manager's previous board. Insiders sympathetic to Dlamini described the court finding as "justice", saying that he had been targeted by the board on spurious grounds. Nevertheless, the boardroom tussle, which culminated in the resignation of a board that had been in place for barely a year, and the subsequent court judgement point to the need for reform at the PIC.

The court found in Dlamini's favour largely because the board that suspended him had failed to obtain ministerial approval, as required by legislation. But the saga is far from over. In a statement on Thursday, the new board welcomed the judgement and said it would ensure that the allegations against Dlamini contained in a whistleblower report were investigated independently and in accordance with due process. The board agreed with the court judgement, which highlighted the significant role the PIC plays in the economy and the need to ensure its stability.

Finance Minister Enoch Godongwana has returned to the Mpati report on reforming the PIC. However, he will have to move quickly: as the latest boardroom conflict illustrated, the PIC remains highly vulnerable to political interference.

DOMESTIC DATA

Vincent van der Westhuizen

SOUTH AFRICA'S FRAGILE RESILIENCE CONTINUES

The Absa PMI fell to 46.8 in July from 47.3 in June. However, the headline decline masked somewhat firmer underlying conditions, with the new sales orders and business activity indices improving while easing supply-chain delays and moderating input costs provided some relief. Manufacturers nevertheless remained cautious about the outlook amid tensions in the Middle East, elevated oil prices, weak export demand and continued inventory reductions.

The S&P Global South Africa PMI edged down to 50.3 in July from 50.5 in June. As readings above 50 indicate an improvement in month-on-month business conditions, the outcome points to a further, albeit marginal, expansion in the private sector. Business activity increased for the first time in three months, while lower fuel prices helped ease cost pressures. However, the recovery remained constrained by weak customer demand, political uncertainty and lingering supply-chain pressures. Taken together, the two surveys suggest that conditions remain weak, particularly in manufacturing, but that the broader private sector has not slipped into a generalised contraction.

New vehicle sales, as reported by naamsa, rose to 57 708 units in July from 54 410 in June, an increase of 11.9% y-o-y. This marked the 22nd consecutive month of annual growth and reinforces the resilience of domestic demand, supported by replacement cycles, fleet renewal and government procurement. However, the strength of the local market contrasts with continued pressure on vehicle exports, which have weakened amid softer demand in key overseas markets and heightened global trade uncertainty.

INTERNATIONAL DATA

Nkosinathi Nonkonyana

CHINA COMPOSITE PMI DECLINES AS GROWTH MOMENTUM MODERATES

The RatingDog composite PMI fell to 50.8 in July, down from 53.6 in June, signalling a slower pace of expansion in Chinese business activity. This marked the lowest reading since July 2025, as momentum slowed across both manufacturing and services. New business rose for the fourteenth consecutive month, but at the slowest pace since March. Consequently, firms increased employment for the third month in a row, the longest period of job growth since mid-2023.

Cost pressures also eased, with input and output price inflation falling to six-month lows amid softer costs across manufacturing and services. Consequently, business sentiment improved, supported by expectations of stronger demand, new product development and efficiency gains.

US ISM PMIs RISE WHILE JOLTS SIGNALS SOFTER LABOUR DEMAND

The ISM Manufacturing PMI rose to 55.6 in July, from 53.3 in June, exceeding market expectations of 54. This signalled the strongest pace of expansion since May 2022, with the overall economy expanding for 21 consecutive months. All five subindexes were in positive territory.

New orders rose for the seventh consecutive month, increasing from 56 in June to 56.7 in July. In turn, production rose to 58.5 in July (52.2 in June), marking the ninth month of expansion. Employment followed suit, rising to 52.8 (49.7), returning to expansion territory after 33 months of contraction. The prices-paid index remained elevated but eased from 73 in June to 71.1 in July.

The ISM Services PMI ticked up by 0.1 to 54.1 in July, below market forecasts of 54.5. The index is currently 0.7 above its 12-month moving average of 53.4%. Four of the five subindexes were in positive territory. Business activity rose to 59.1 (55.4) while new orders ticked up to 57.2 (55.1), registering a 2.1 increase from June. Employment returned to e contraction territory. Some respondents reported modest reductions in staffing alongside the implementation of AI technology

Ahead of the July non-farm payrolls report, job openings fell by 178 000 to 7.4 million in June 2026. The number of job openings expanded in transportation, warehousing and utilities (+97 000) and in the federal government (+39 000). However, those were outweighed by fewer opportunities in wholesale trade (-74 000), non-durable goods manufacturing (-55 000), and mining and logging (-9000). Taken together, the surveys suggest that US activity remained firm in July, while labour demand showed tentative signs of cooling.

EUROZONE PRODUCER INFLATION EASES AS RETAIL SALES WEAKEN

EZ PPI slowed to 4.6% y-o-y in June, from 5.9% in May. On a monthly basis, prices fell by 0.3% in June, marking the first decline in four months. Unsurprisingly, energy prices were the largest drag, falling by 1.5% m-o-m, as oil cost pressures eased during the temporary ceasefire between the US and Iran. However, prices excluding energy increased by 0.2%.

For the same month, retail sales edged up by just 0.7% y-o-y, down from 1.9% in May. This is the weakest annual increase in almost two years. On a monthly basis, sales declined by 0.3%, reversing the 0.4% increase in May.

FORECAST UPDATE

We have made no changes to our headline forecasts this week. We continue to expect real GDP growth of 1.3% in 2026, headline inflation to average 4.2%, and the policy rate to remain unchanged for the rest of the year before easing gradually in 2027.

Incoming data have so far remained broadly consistent with this baseline. The domestic data due next week will test this baseline. Both mining and manufacturing require strong June outcomes to avoid quarterly contractions, while another weak labour-market reading would deepen concerns about the composition and durability of growth.

Premium Insights clients can now download **Economic Prospects** for a detailed analysis of the forecast assumptions, drivers and outcomes. For a shorter and more informal discussion of how we separate signal from noise when updating the outlook, read our **latest News24 column** 🔓.

	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	27-Aug-26	Jul
	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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Click **here** for previous editions of this publication.

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