

Weekly Monitor

ECONOMICS | SOUTH AFRICA



Review of 21 to 25 September and preview of 28 September to 2 October 2026

- The **rand** depreciated weighed down by a stronger dollar and weaker precious metals prices.
- The **Reserve Bank's Monetary Policy Committee (MPC)** unanimously raised its repo rate by 25-bps to 7.25%.
- Consumer inflation** increased to 4.4% in August amid elevated fuel prices.
- Preliminary **Purchasing Managers' Index (PMI)** data for September indicated that global business activity remained in expansionary territory.
- The **People's Bank of China** kept its **Loan Prime Rates** unchanged as expected. Meanwhile the **Bank of Mexico** also maintained its policy rate the same.

Currencies

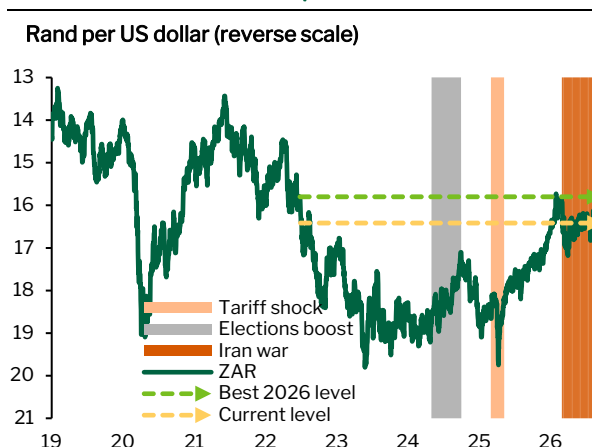
The **rand** weakened toward R16.5/\$ during the week, pressured by a stronger dollar. The move came despite the South African Reserve Bank (SARB) raising interest rates. Meanwhile, the **US dollar** strengthened to its highest level in two months, with the trade-weighted dollar hovering around 101, supported by stronger-than-expected economic data, hawkish comments from Federal Reserve (Fed) officials and rising expectations of further policy tightening. Markets are currently pricing in a high probability of another Fed rate hike in October. The **euro** remained under pressure, trading below \$1.14. However, stronger Purchasing Manager's Index (PMI) readings and rising business confidence in Germany reinforced expectations that the European Central Bank (ECB) could deliver at least one additional rate hike before the end of the year. The **pound** also weakened. The **yen** traded near ¥159 as markets viewed the Bank of Japan's (BoJ) rate hike as largely priced in and remained focused on the prospect of further tightening by the Fed.

Table 1: The currency markets

	This week	Previous week	%Change
Rand			
USDZAR	16.43	16.26	-1.04
EURZAR	18.69	18.66	-0.15
GBPZAR	21.67	21.64	-0.11
Dollar			
EURUSD	1.138	1.148	-0.91
GBPUSD	1.322	1.339	-1.33
USDJPY	158.83	156.86	1.26

Source: LSEG

Chart 1: The rand's recent performance



Source: LSEG

Equities, bonds, and commodities

The local equity market weakened this week, with the **JSE All Share Index (ALSI)** declining by 1.3%, largely reflecting higher US bond yields and expectations for further hikes from the Fed. Losses were led by the **basic materials** sector, which were further pressured by lower precious metal prices, while **financials** and **industrials** also recorded modest declines.

Global equity markets were mixed during the week as investors weighed stronger economic data against rising US bond yields and expectations of further Fed tightening. **US equities** advanced, with **Nasdaq** leading the gains (increasing by 3.7%), followed by **S&P 500**, which was bolstered by resilient economic activity and expectations of continued earnings growth. In contrast, **European stocks** weakened, with the **DAX** and **French CAC** edging lower as rising bond yields, expectations for further Fed rate hikes and geopolitical tensions weighed on sentiment. Meanwhile, the **Nikkei** gained 1.7%, supported by strength in technology and financial stocks.

In commodity markets, **Brent crude oil price** rose by 3.3% over the week trading around \$106 per barrel amid escalating tensions in the Middle East. Concerns about supply disruptions intensified after Iran-aligned Houthi militants launched missiles towards Saudi Arabia, amplifying the threat to regional energy infrastructure and shipping routes. However, prices eased towards the end of the week amid reports that the US and Iran were discussing a phased agreement that could reopen the Strait of Hormuz. Meanwhile, **gold** and **platinum** declined as a stronger US dollar and higher Treasury yields weighed on demand for precious metals.

Bond markets came under pressure during the week as the ongoing energy shock and resilient economic data reinforced concerns that inflation could remain higher for longer. The yield on the benchmark **10-year US Treasury bond** rose to around 5.2%, its highest level since 2007, with investors pricing in the prospects of further tightening by the Fed. Locally, the **benchmark SA 10-year government bond yield** increased to around 8.9% as the SARB raised interest rates.

Table 2: Equities

	This week	Previous week	%Change
Local (JSE)			
ALSI	111564.58	113002.48	-1.27
Industrials	118593.85	118830.77	-0.20
Financials (LHS)	25454.79	25499.57	-0.18
Basic materials	87200.37	90130.08	-3.25
Global Equities			
S&P500	7706.03	7551.81	2.04
Nasdaq Composite	26936.04	25978.42	3.69
Dow Jones	51511.59	51461.90	0.10
German DAX	25410.63	25537.75	-0.50
France CAC	8123.41	8140.59	-0.21
UK FTSE	10705.26	10688.47	0.16
Nikkei	65018.95	63923.00	1.71
Commodities			
Brent crude (\$/barrel)	105.66	103.37	2.22
Gold (\$/ounce)	4260.19	4376.91	-2.67
Platinum (\$/ounce)	1748.50	1800.13	-2.87

Source: Refinitiv

Chart 2: JSE Equities

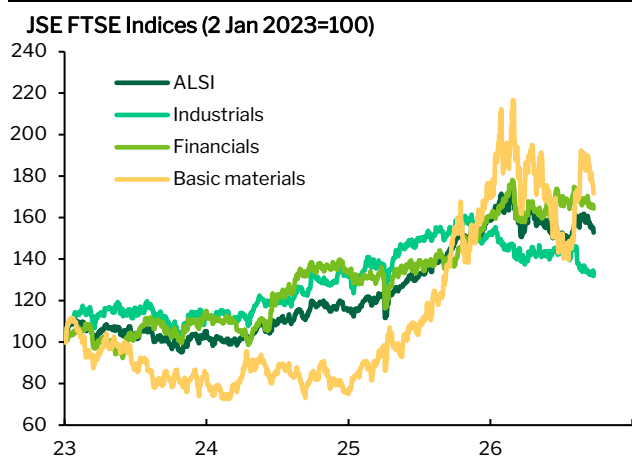
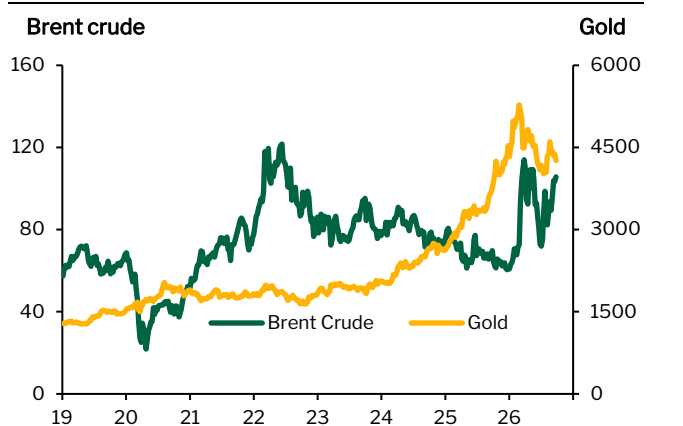


Chart 3 Commodities



Source: Refinitiv

Economic developments

Domestic economic releases and events

Headline **consumer inflation** increased marginally from 4.3% yoy to 4.4%, mainly driven by elevated transport, housing and utilities costs, while food inflation also increased marginally as base effects started to reverse. **Transport inflation** softened from 8.9% to 8.8% as August's petrol price cut led to a slight moderation in the annual increase in fuel price inflation from 20.6% to 20%. Some upward pressure also came from **food inflation** (another major category), which increased from 0.6% to 0.7% as the base started to normalise. Despite the uptick, food inflation remained subdued, with meat prices reflecting progress in foot-and-mouth disease vaccinations and crops benefiting from a healthy summer harvest. Inflation for **housing and utilities** was unchanged at 5.2%. The elevated figure continues to reflect higher municipal tariffs, with 'electricity, gas, and other fuels' up 7.4% and 'water and other services' up 7.2%. Encouragingly, **core inflation**, which excludes food and fuel, slowed from 4.2% to 4.1%.

The softer inflation outcomes of July and August are not indicative of a sustainable easing in price pressures, but rather a brief respite driven by the dip in global oil prices that followed the de-escalation in the US-Iran war from mid-June to early-July. With the conflict still unresolved and traffic through the straits of Hormuz and Bab El-Mandeb still severely constrained, the outlook for

global energy prices, local fuel prices and inflation remains extremely uncertain. Recent developments have not been encouraging. A renewed surge in global oil prices resulted in a sharp rise in local petrol prices in September and will likely lead to another big increase in October, pushing inflation above 5% next month. We also expect food prices to start drifting up off a low base. The impact of the upcoming El Niño episode will be partly mitigated by healthy groundwater and reservoir levels, together with ample domestic and global food inventories. Nevertheless, risks to the outlook for food prices remain skewed to the upside should the El Niño event prove more severe than currently anticipated. Downside risks to the rand have also increased, reflecting the higher probability of a prolonged energy shock and the strong likelihood of further US interest rate hikes. Our preliminary estimates suggest that inflation will end the year around 5% and stay close to this level in early 2027, before receding more convincingly towards the 3% target in the second half of next year.

In response to the worsening inflation outlook, the **Reserve Bank's Monetary Policy Committee (MPC)** unanimously raised its repo rate by 25-bps to 7.25% on Wednesday. The committee stressed that the inflation outlook faced continued upside risks from multiple threats, including a prolonged energy shock, a potentially weaker rand given the strong possibility for further US rate hikes, a looming El-Niño-induced drought, and elevated inflation expectations. The SARB also expects headline inflation to rise above 5% in Q4 2026 and Q1 2027, before easing gradually and sliding more decisively to 3% by the end of next year. Core inflation is expected to follow a similar trajectory, remaining sticky around 4% until Q3 2027, before resuming a clear downward trend from the end of next year onwards and reaching the 3% target on a more sustainable basis at the end of 2028. The longer inflation remains above the 3% target, the greater the risk of second-round price effects and inflation expectations resuming an upward trajectory. Consequently, further tightening may be needed to stem the cost-push inflationary tide. While acknowledging this risk, our best guess is that weaker domestic demand and tighter monetary policy will be enough to dull wage demands and cap companies' pricing power. All said, we think the SARB has brought enough space to look through the energy shock for now.

International economic releases and events

Preliminary **PMI** data for September indicated that business activity across major economies remained in expansionary territory, supported by strengthening manufacturing and improving demand conditions. However, firms continued to face elevated cost pressures, while geopolitical uncertainty and subdued demand weighed on business confidence.

US business activity expanded, with the **S&P Global Composite PMI** rising from 56 in August to 58.4 in September, its sharpest increase since July 2021. The rise was led by increases in both services (58.7) and manufacturing (57), which were supported by strong expansion in output. Demand conditions improved further as new orders increased at the fastest pace since early 2022, driven primarily by robust domestic demand. Meanwhile, inflationary pressures intensified, with higher energy costs contributing to a sharp increase in input and output costs.

Eurozone private sector activity also strengthened, with the **Composite PMI** rising from 52 in August to 53.1 in September. Growth was recorded in both the manufacturing (53.4) and services (53) sectors. The upturn was supported by stronger demand conditions. New orders increased at the fastest pace since May 2022, led by a further rise in export business. However, despite the stronger growth momentum, employment gains remained modest and business confidence eased to a three-month low. Cost pressures also intensified, with input and output price inflation accelerating to their highest levels since May. Within the bloc, performances also remained positive, with **Germany's Composite PMI** rising from 51.8 to 53.8. The expansion was driven by renewed growth in services activity, while manufacturing output remained robust despite easing slightly from August's elevated level. In **France**, business activity expanded after several months of contraction. The **Composite PMI** rebounded from 48.5 to 51.2. The recovery was largely driven by the services sector.

Additionally, **UK** private sector activity continued to expand, albeit a slower pace. The **Composite PMI** slowed from 52.5 to 51.7, reflecting softer momentum in services and manufacturing. The slowdown was due to muted domestic economic conditions and geopolitical uncertainty while weak consumer demand weighed on overall growth. Manufacturing continued to benefit from AI-related investment and increased defence spending. Meanwhile, inflationary pressures intensified, with firms reporting higher energy, fuel and raw material costs, pushing input price inflation to its highest level since June. Similarly, private sector activity in **Japan** moderated with the **Composite PMI** easing from 53.5 to 52.5. Both manufacturing and services activity continued to grow, but output and new order growth slowed across the two sectors. Manufacturing remained the main driver of growth despite a moderation in factory output, while services activity expanded only modestly.

As expected, the **People's Bank of China (PBoC)** left its **one- and five-year Loan Prime Rates** unchanged at 3% and 3.5%, respectively, reflecting the Bank's view that current monetary policy settings remain sufficiently accommodative. Although economic growth has moderated and the property sector continues to face challenges, inflation remains low but positive. As a result, policymakers appear comfortable maintaining a wait-and-see stance, with greater reliance likely to be placed on fiscal support measures to bolster domestic demand and sustain the economic recovery. Similarly, the **Bank of Mexico** kept its policy

rate unchanged at 6.5% in line with expectations. While inflation improved, policymakers cautioned that underlying price pressures and external risks remain elevated.

Next week's focus: Key economic releases and events

Domestic

Next week, the focus will be on the release of the **SARB Quarterly Bulletin (QB)** for Q2, **money supply (M3)**, **private sector credit extension (PSCE)**, **producer price index (PPI)** and **trade data** for August, as well as **new vehicle sales** for September. The **QB** will provide deeper insights into the economy's performance in Q2, particularly with respect to household finances, which appear to have remained resilient despite persistent concerns about the ongoing energy shock. We expect continued, albeit slower, growth in real personal disposable income and a slight deterioration in households' debt metrics, with the overall debt burden probably remaining relatively steady but debt service costs creeping up marginally following the May interest-rate hike. On credit, we forecast annual growth in **PSCE** to remain relatively firm, although moderating slightly from 7.4% in July to 6.9% in August. Growth in loans and advances, excluding investments and bills, is also expected to soften from 7.3% to 7.2%. Corporate credit demand likely remained resilient, holding steady at 9.4%, as elevated uncertainty and rising input costs, particularly higher oil prices linked to the Iran-US conflict, continue to weigh on business sentiment and investment decisions. Meanwhile, household credit growth probably eased from 5.1% to 5.0%. Household borrowing continues to be supported by the cumulative impact of earlier interest rate cuts and ongoing withdrawals from the two-pot system, which have helped sustain spending capacity. In addition, higher transport costs are likely prompting some households to supplement essential expenditure through increased borrowing. Despite the modest slowdown, household credit growth remains on a gradual upward trajectory relative to the lows recorded in recent years.

After slowing from 7.5% in June to 5.7% in July, **PPI** is projected to rise to 5.9% in August. The anticipated increase is largely driven by the coke and petroleum products category, reflecting higher fuel costs. Brent crude oil prices remained elevated amid the ongoing Iran war and continued disruptions to shipping through the Strait of Hormuz. As a result, petrol and diesel prices rose. Beyond fuel, other input costs, particularly higher electricity tariffs, remained elevated and continued to place upward pressure on producer prices. These cost pressures are expected to more than offset the disinflationary effects of easing food prices.

The **trade surplus** likely narrowed in August. Export earnings were supported by high prices on South Africa's key commodities, with gold, platinum and palladium prices rising over the month. Meanwhile, global oil prices eased slightly from July's level, but nonetheless remained high, and kept the import bill elevated. In net terms, the price boost to exports likely outweighed that to imports. Consequently, the trade surplus probably narrowed from R20.1 billion in July to R16.2 billion in August.

Growth in **new vehicle sales** is forecast to moderate from 11.4% yoy in August to 6.7% in September, bringing the total number of vehicles sold to 58 360 units. While September is typically a strong month, the moderation reflects the impact of a high base and the rise in fuel prices. We still expect volumes to remain robust, supported by stable financing conditions in September and the wider range of affordable entry-level models.

International

Next week, the focus will shift to key **US** economic releases, including the final GDP for Q2, PCE and labour statistics. Markets will assess whether the data reinforces expectations of further policy tightening, with consensus forecasts pointing to a slight acceleration in **GDP growth** from 1.5% qoq to 1.6% and a modest increase in both **headline** and **core PCE inflation**. Meanwhile, **non-farm payrolls** are expected to moderate from 162 000 to 100 000 jobs, while the **unemployment rate** is projected to edge up to 4.2% and **wage growth** to remain unchanged at 0.3% mom and 3.1% yoy.

Elsewhere, **China's PMI** data will be closely watched after recent signs of stabilisation, with both manufacturing and services activity expected to remain in expansionary territory. In **Europe**, preliminary inflation figures from **Germany**, **France** and the **EU** which are likely to show a slight increase in the annual inflation numbers across the bloc.

Table 3: Release Calendar

Date	Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
29 Sept 2026	EU	Economic Sentiment	Sep	99.0	98.4	Index
30 Sept 2026	Japan	Retail Sales (yoy)	Aug	3.3	4.0	%
	China (Mainland)	Composite PMI	Sep	50.1	49.5	Index
	China (Mainland)	RatingDog Manufacturing PMI Final	Sep	51.5	51.5	Index
	China (Mainland)	RatingDog Services PMI	Sep	51.7	51.4	Index
	Germany	Retail Sales (mom)	Aug	1.5	-3.4	%
	Germany	Retail Sales (yoy)	Aug	-1.0	-2.5	%
	UK	GDP (qoq)	Q2	0.4	0.4	%
	UK	GDP (yoy)	Q2	1.2	1.2	%
	SA	M3 Money Supply (yoy)	Aug		8.6	%
	SA	Pvt Sector Credit Ext	Aug		7.4	%
	France	CPI (EU Norm) Preliminary (yoy)	Sep	3.1	2.6	%
	France	CPI (EU Norm) Preliminary (mom)	Sep	-0.6	0.7	%
	SA	PPI (mom)	Aug		-1.0	%
	SA	PPI (yoy)	Aug		5.7	%
	Germany	HICP Preliminary (mom)	Sep	0.4	0.2	%
	Germany	HICP Preliminary (yoy)	Sep	3.1	2.9	%
	SA	Trade Bal (Incl. Region)	Aug		20.1	Billion
	US	Core PCE Price Index (mom)	Aug	0.3	0.2	%
	US	Core PCE Price Index (yoy)	Aug	3.4	3.3	%
	US	PCE Price Index (mom)	Aug	0.4	0.2	%
	US	PCE Price Index (yoy)	Aug	3.8	3.7	%
	US	GDP Final (qoq)	Q2	1.6	1.5	%
	SA	Budget Balance (mom)	Aug		-161.6	Billion
1 Oct 2026	Japan	S&P Global Manufacturing PMI Final SA	Sep	55.2	54.1	Index
	France	S&P Manufacturing PMI	Sep	50.3	50.3	Index
	Germany	S&P Manufacturing PMI	Sep	53.8	53.8	Index
	EU	S&P Manufacturing Final PMI	Sep	52.7	52.7	Index
	UK	S&P Global Manufacturing PMI	Sep	52.0	52.0	Index
	US	S&P Global Manufacturing PMI Final	Sep	57.0	57.0	Index
	SA	Total New Vehicle (yoy)	Sep		11.4	%
	SA	Total New Vehicle Sales	Sep		57898.0	
2 Oct 2026	EU	HICP Flash (yoy)	Sep	3.5	3.2	
	US	Non-Farm Payrolls	Sep	100.0	162.0	000
	US	Unemployment Rate	Sep	4.2	4.1	%
	US	Average Earnings (mom)	Sep	0.3	0.3	%
	US	Average Earnings (yoy)	Sep	3.1	3.1	%
	US	Labor Force Participation	Sep	61.4	61.6	%
	US	Factory Orders (mom)	Aug		0.9	%

Source: LSEG/Trading Economics

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