

WEEKLY REVIEW | NUMBER 38 | 16 OCTOBER 2026

Oil pain feeds US inflation as SA looks to the MTBPS for fuel relief

THE WEEK IN PERSPECTIVE

Tracey-Lee Solomon

This week's data painted a mixed picture of global activity, but the dominant market story was another inflation surprise from the US. Closer to home, SA mining production fell sharply again in August, reinforcing concerns that the sector very likely detracted from third-quarter GDP growth.

Internationally, China provided another example of the uneven transmission of the global cost shock. Producer inflation accelerated to 5.0% y-o-y in September, while consumer inflation remained much softer at 0.9%. This suggests firms are facing considerably stronger upstream cost pressure than is yet evident in consumer prices. In the UK, meanwhile, GDP expanded by 0.1% m-o-m in August, with production providing the main support while services were flat.

However, this week was dominated by US CPI data. The latest US inflation figures provided further evidence of the inflationary consequences of the ongoing energy shock, with inflation exceeding market expectations and accelerating to its fastest pace since April. Headline CPI rose by 0.6% m-o-m and 3.7% y-o-y in September, with gasoline alone accounting for more than half of the monthly increase. The September print kept the possibility of another rate hike firmly in play.

In financial markets, US Treasury yields rose sharply following the CPI release, before falling back sharply later in the week as investors moved back into Treasuries.

Technology shares came under considerable pressure this week as concerns about higher interest rates coincided with growing uncertainty over the sustainability of the AI investment boom. The Philadelphia Semiconductor Index fell by about 4% on Wednesday and remained under pressure on Thursday. Broader US indices recovered later in the week, however, as Treasury yields retreated, with the S&P 500 ending Thursday higher. Beyond concerns about higher interest rates, growing uncertainty over the sustainability of the artificial intelligence (AI) investment boom added pressure on technology stocks. However, the selloff was largely confined to the US, with equity markets across Europe recording gains this week. Similarly, SA's JSE Alsi increased by 2.9% this week, with finance stocks doing particularly well.

In currency markets, the US dollar strengthened slightly following the inflation surprise. Meanwhile, despite a sharp weakening on Wednesday, the rand recovered all its losses to end the week 0.7% stronger against the dollar. The local currency also appreciated by 0.7% and 0.5% against the euro and pound sterling, respectively.

Weekly Key Indicators

	Close	w-o-w
R/\$	R16.52	-0.7%
R/€	R18.50	-0.7%
R/£	R21.89	-0.5%
\$/€	\$1.12	-0.1%
Brent	\$105.74	1.3%
Gold	\$4 154	0.9%
Platinum	\$1 620	-1.5%
JSE ALSI	110 172	2.9%
10y gov. bond	8.87	-16bps
FRA (1x4)*	7.29	2bps

*Forward rate agreement

Meanwhile, SA government bonds benefitted from positive comments by Moody's regarding a possible sovereign credit rating upgrade. The 10-year bond yields declined by 16 basis points (bps) this week. Moody's has highlighted improving fiscal dynamics and reform progress as factors that could support SA's credit profile, although an upgrade is not yet assured.

In commodities, despite the resumption of shipping through the Strait of Hormuz, Brent crude oil prices have remained above \$100/bbl for the past month. While oil continues to flow through the strait, persistent attacks on commercial vessels and the risk of a renewed escalation in the conflict have kept prices elevated.

This week was no exception. Two container ships registered to Singapore were struck by projectiles while transiting the strait, with one vessel reportedly sinking. Iran's Islamic Revolutionary Guard Corps claimed that one of the ships had struck a mine. The incident added to a renewed increase in attacks on commercial shipping, although traffic through the strait has continued.

Further west, Iran-backed Houthi rebels intensified their attacks on Saudi Arabia. Several strikes targeted King Khalid International Airport in Riyadh, resulting in casualties and disrupting air traffic. The Houthis also reportedly targeted the state oil firm Saudi Aramco's headquarters. The heads of several Western oil majors withdrew from an important industry event in Riyadh amid the attacks. The escalation has added to concerns that regional actors could further disrupt oil supply or transport routes at a politically sensitive time for the US, where high fuel prices have become an increasingly important domestic issue.

With this in mind, over the weekend, the US and Russia reached an agreement to allow additional Russian diesel supplies onto global markets. The move represents a relaxation of sanctions imposed on Moscow following its invasion of Ukraine. Diesel prices subsequently eased. Separately, the US President announced an agreement on an "energy ceasefire" between Russia and Ukraine. However, neither side ultimately adhered to the proposed arrangement. Russia continued strikes on Ukrainian energy infrastructure, while Ukraine resumed attacks on Russian refineries.

Meanwhile, gold prices initially benefitted from lower US Treasury yields but came under renewed pressure as higher inflation strengthened expectations of further interest rate hikes. Although safe-haven demand provided some support later in the week, the prospect of higher borrowing costs continues to weigh on gold, which pays no interest. As a result, the precious metal was little changed, rising by 0.9%

MTBPS: NEAR-TERM RESILIENCE, MEDIUM-TERM REALITY

Lisette IJssel de Schepper

Finance Minister Enoch Godongwana will deliver the Medium Term Budget Policy Statement (MTBPS) on Wednesday, 21 October. The near-term fiscal picture remains relatively encouraging, with tax revenue collections running ahead of expectations, supported by stronger-than-budgeted receipts from mining as well as personal income tax and VAT. However, the economic assumptions underpinning the February Budget are likely to require some revision. National Treasury projected real GDP growth of 1.6% in 2026, rising to 2% by 2028, alongside consumer inflation of just 3.4% this year. While real GDP is likely to be revised lower, higher-than-expected inflation may partly cushion nominal GDP growth and tax revenue collections. Together with continued expenditure restraint, this should help keep fiscal consolidation broadly on track in the current financial year. The medium-term picture is less reassuring, however, as the earlier tailwind from elevated commodity prices has faded somewhat, economic growth remains weak, and persistent inflationary pressures and spending demands present additional risks. Whether Treasury can maintain its projected decline in government debt, from a peak of 78.9% of GDP in 2025/26, will therefore be closely watched.

Beyond the fiscal projections, attention will turn to Treasury's plans to introduce a fiscal anchor, intended to strengthen fiscal discipline and ensure the sustainability of public finances over time. Rather than a rigid numerical ceiling on debt or expenditure, Treasury has indicated a preference for a principles-based framework that would require this and future administrations to demonstrate how their fiscal plans will keep debt and spending on a sustainable path. More detail on the proposed approach is expected in the MTBPS, although its final design and implementation remain uncertain. The credibility of such a framework, particularly its ability to maintain fiscal discipline through political and economic cycles, will be important as SA seeks to build on recent improvements in its sovereign credit ratings.

Another question is whether Treasury is on track to provide further temporary fuel-levy relief in response to elevated fuel prices. The plan, currently awaiting final parliamentary approval, is to unlock the R10bn that the Treasury has transferred to the Equalisation Fund, overseen by the Department of Mineral and Petroleum Resources. This amount is entirely separate from the R17 billion temporary holiday on the general fuel levy granted to consumers between April and June. Instead of cutting taxes and losing revenue, this is a direct, **once-off** cash injection of state funds explicitly earmarked to soften the impact of high international crude oil import costs at the pump. So, while the fiscal mechanism may differ, providing relief through the Equalisation Fund costs the government the same amount but allows for better planning and the upfront management of consumer expectations. With petrol already costing over R30/litre and further increases possible in November, the R10bn could be used to cushion consumers against further fuel-price increases over the festive season, depending on the final design and timing of the intervention.

Clients can expect a detailed comment on the MTBPS on Wednesday afternoon, with a follow-up webinar with Dr Duncan Pieterse, Director-General of the National Treasury, on Tuesday 27 October – please email for registration details.

DATA WEEK AHEAD: SA CPI AND CHINA GDP

China opens the week with third-quarter GDP and a full set of September activity data. Consensus expectations point to growth of around 4.4% y-o-y, little changed from the 4.3% recorded in Q2. Strong exports have continued to provide support, but weak retail activity and ongoing property-sector pressure suggest domestic demand remains fragile. September retail sales, industrial production and unemployment data will therefore be useful in assessing how broad-based any improvement has been.

Locally, the main data release is September consumer inflation on Wednesday. We expect headline CPI to rise to 4.7% y-o-y from 4.4% in August, with the renewed fuel-price shock set to push inflation above 5% during the fourth quarter. The September print predates the latest large fuel-price increase, so the more significant acceleration is still ahead. August retail sales, released on the same day, will meanwhile provide another read on household demand following the firmer spending data seen earlier in the year.

Tuesday's ZEW surveys will provide a timely read on sentiment in Germany and the broader Eurozone, while Friday's flash S&P Global PMIs across the US, UK, Eurozone and Germany will offer the first broad indication of how activity is holding up in October as higher energy costs continue to feed through to businesses and households.

Date	Event	Latest
Monday (19 Oct)	CN: GDP Growth Rate (Q3)	4.3% y-o-y
Monday (19 Oct)	CN: Unemployment rate, Retail Sales, Industrial Production (Sep)	5.3%; 0.4% y-o-y; 5.2% y-o-y
Tuesday (20 Oct)	EZ, DE: ZEW Economic Sentiment Index (Oct)	25.8; 34.7
Wednesday (21 Oct)	SA: Consumer Inflation (Sep)	4.4% y-o-y; 0% m-o-m
Wednesday (21 Oct)	SA: Retail Sales (Aug)	3.4% y-o-y; 2.5% m-o-m
Thursday (22 Oct)	SA: Wholesale trade sales (Aug)	-1.1% y-o-y; 6.2% m-o-m
Friday (23 Oct)	US, UK, EZ, DE: S&P Global Composite PMI (Flash, Oct)	58.4; 52; 53.1; 53.8

SA POLITICAL UPDATE

Natasha Marrian

MBALULA HITS OUT AT DA AFTER CANDIDATE LIST WIN

ANC secretary general Fikile Mbalula has called for a review of the DA's participation in the government of national unity (GNU). This was after the Constitutional Court found in the ANC's favour over the submission of its councillor candidate nominations for six municipalities, including the Mangaung metro. The ANC lost the case before the Electoral Court after failing to complete the submission of its candidate lists by the August 28 deadline. The Constitutional Court's order means the affected ANC candidates must now be included on the ballot, although the Court's reasons have not yet been handed down.

The initial Electoral Court defeat marked a significant blow for the party, which faced the prospect of having no representation in two Eastern Cape councils, both of which were previously won by the ANC with a 70% majority. The list submission failure also impacted the party's representation as councillor candidates for the Mangaung metro and three other Eastern Cape councils.

It then changed legal tack. Councillors from the affected municipalities, instead of the party's national office, approached the Constitutional Court arguing that the IEC's "submit as final" requirement to complete the submission of its candidate lists was not enshrined in law and could not be used to deprive voters of choosing the party and its proposed candidates.

This approach proved successful; however, the Constitutional Court has not yet handed down the reasons for its decision. The DA had opposed the ANC's Constitutional Court bid, culminating in Mbalula's pronouncement that its participation in the national coalition should be reviewed.

Mbalula was particularly emotional after the judgement, even collapsing during a media briefing at the court. He had come under severe fire internally in the ANC over the candidate list impasse. It is not yet clear whether his comments signal a broader shift in the ANC's position on the DA's role in the GNU or were primarily a response to the court battle. Mbalula had previously been among the ANC leaders supportive of the DA's participation in the coalition.

Mbalula's relief after the judgement came against the backdrop of intense internal criticism over the candidate-list failure. That episode may still matter for his standing within the ANC ahead of the party's next leadership contest, but it is too early to draw firm conclusions about its effect on any future leadership bid.

COSATU OPTS FOR COMPROMISE SLATE AT ELECTIVE CONGRESS

The Congress of SA Trade Unions (Cosatu) achieved two things at its national congress this week – it reached a compromise between rival leadership groupings and propelled key Ramaphosa ally, Zingiswa Losi, into the powerful post of general secretary. Losi was the first woman to hold the post of president and is now the federation's first female general secretary.

Cosatu reconvened its national congress after it collapsed last month amid deep divisions over the standing of its then-deputy president, Mike Shingange. Shingange was suspended by the union he belongs to, the National Education, Health and Allied Workers Union (NEHAWU), on the eve of the congress, prompting pushback from delegates at the congress. The gathering collapsed and was reconvened this week to conclude its business.

The divisions in Cosatu are complex and not solely linked to the battle between its allies, the ANC and the SA Communist Party, which are both contesting the upcoming 2026 local government election. Historically, while Cosatu was aligned to the ANC, its members were free to vote for the party of their choice – to this day, there are members of Cosatu unions who vote for the DA and even the Freedom Front Plus.

The division in Cosatu was mainly a battle between individuals amid a massive shake-up of its top leadership structure. Shingange emerged as federation president, but he was one of only two leaders from his slate elected to a top post. Ramaphosa ally, Losi, emerged as the first female general secretary of Cosatu – a powerful position in the federation. While the president and general secretary of Cosatu are both powerful posts, there is often tension between the two over authority in the federation.

Cosatu managed to avoid choosing exclusively between the ANC and SACP. Shingange led a slate or grouping associated with stronger support for the SACP, while Losi's grouping was more closely aligned with continued support for the ANC. Congress ultimately resolved to support both parties in the election to preserve unity within the federation.

Cosatu's newly elected leaders have a huge task in uniting the federation – but also deciding whether they will continue to provide financial support to the SACP, a resolution open for debate in their financial report to the congress.

The federation has approached the ANC to demand an apology after party chairman Gwede Mantashe refused to address the gathering, saying he was scheduled to speak first. Mantashe argued that as the oldest and largest alliance partner, the ANC should have been asked to speak last at the Cosatu congress. The impasse over speaking order caused a disruption on the first day of the congress.

DOMESTIC DATA

Nkosinathi Nonkonyane

MINING PRODUCTION CONTRACTS FOR THE FOURTH CONSECUTIVE MONTH

Mining production declined by 12.7% y-o-y in August, the steepest yearly fall since October 2022, far exceeding market expectations of a 3% contraction. PGMs were the biggest drag, dropping by 22.5% and subtracting 6.1% pts. Furthermore, production for coal and iron ore fell by 11.7% (-3% pts) and 16.2% (-2.4% pts), respectively. Only chromium ore (11.1%, 0.6% pts) and manganese ore (4.1%, 0.3% pts) had positive yearly changes. Monthly, production fell by 5.4% in August, from -1.9% in July.

The weakness leaves mining on course to detract from third-quarter GDP unless there is a very sharp rebound in September. While some normalisation in PGM output is possible as earlier disruptions unwind, the August data leave a sizeable hurdle for the sector to avoid another quarterly contraction.

Annual mineral sales followed suit, decreasing by 15.1% in August, largely driven by gold sales declining by 48.6%, subtracting 8.6% pts. Sales for iron ore, PGMs and coal fell as well, deducting 2.4%, 1.9% and 1.9% pts, respectively. The weakness in sales partly reflects the sharp decline in production, although current-price sales are also affected by commodity prices and exchange-rate

movements. Together with the production data, the figures point to another difficult quarter for the mining sector and raise concerns about its contribution to third-quarter growth (from an output and export perspective).

INTERNATIONAL DATA

Nomvelo Moima

US INFLATION SURPRISES TO THE UPSIDE

The latest US headline consumer inflation print came in hotter than market expectations (for 3.6% y-o-y), up from 3.4% y-o-y in August to 3.7% y-o-y in September. The acceleration comes on the back of a monthly (s.a.) 0.6% rise in September, accelerating from 0.4% m-o-m in the prior month. Notably, this marks the largest monthly jump since April. The energy index firmed on higher gasoline prices, which accounted for over half of the monthly increase. Crucial for interest rate expectations, consumer prices excluding food and energy also delivered an upside surprise. Core CPI rose to 2.6% y-o-y in September from 2.4% y-o-y in August. This was driven by annual and monthly increases in the prices of shelter and transportation services.

Meanwhile, US producer prices rose to 6.3% y-o-y in September, up from 5.6% y-o-y in the previous month. On a seasonally adjusted basis, PPI increased sharply to 1.3% m-o-m in September, up from 0.5% m-o-m. This far outpaced consensus forecasts for another 0.5% rise, making September's jump the fastest pace of acceleration in more than four years. As with consumer inflation, this was largely driven by a surge in gasoline prices.

The upside surprises in both consumer and producer inflation underscore the challenges facing the Fed, particularly as higher energy costs coincide with signs of broader price pressures. The data strengthen the case for further monetary tightening, although the timing of another rate hike will depend on upcoming economic releases.

CHINA'S PRODUCER PRICES SURGE, BUT CONSUMER INFLATION REMAINS MUTED

Annual CPI inflation in China ticked up from 0.8% in August to 0.9% in September, slightly below consensus forecasts for a 1% rise. That said, this still marks the fastest pace of price growth since July, driven by an acceleration in the transport and communication category, most notably fuels for transport, which rose sharply (+14.9% y-o-y, from +8.3% y-o-y). This reflects two domestic fuel price increases in September, along with stronger travel demand ahead of the Golden Week holiday. At the same time, higher fuel prices were offset by deepening food deflation. Annual core inflation (excluding food and energy) rose by 1.0% y-o-y in September, unchanged from the prior month. On a monthly basis, CPI rose by 0.2%, slowing from a 0.4% increase in August.

In contrast, China's producer price inflation surprised to the upside. Annual PPI strengthened to its highest level in about four years, rising to 5% y-o-y in September from 3.8% y-o-y in the previous month. PPI rose by 1.2% m-o-m in September, tripling the 0.4% m-o-m rise in August and marking the second-largest monthly jump after April, owing to surging energy prices.

Taken together, China's price gauges suggest that rising upstream cost pressures have yet to translate into broader consumer inflation, with weak domestic demand continuing to constrain price increases. However, persistently elevated producer prices could eventually put upward pressure on consumer inflation.

UK GDP GROWTH RESILIENCE

In the UK, monthly real GDP expanded by 0.1% in August, down from 0.4% in July. Still, August's modest rise beat market expectations of a contraction. The production sector grew by 0.8%, driven by growth in the manufacturing and mining and quarrying sectors. The services sector was flat, as growth in the wholesale and retail trade sector was offset by declines in the administrative and support services and food and beverage services sectors. Output in the construction sector contracted by 0.2% due to a decline in new work, marking its fourth consecutive monthly decline. Positively, real GDP grew by 2.1% y-o-y, up from 1.8% y-o-y in the previous month, the strongest annual expansion since July 2022.

FORECAST UPDATE

There have been no material changes to our forecasts this week. We continue to expect the SARB to keep the policy rate unchanged at 7.25% at its November meeting, while our 2026 headline inflation forecast remains at 4.4%.

Next week's September CPI release could lead to some small adjustments to the near-term inflation profile. We currently expect headline inflation to rise to 4.7% y-o-y in September, before moving above 5% in the fourth quarter as the latest fuel price increases feed through.

The BER is currently updating its full macroeconomic forecast. Premium Insights clients should receive the detailed revised forecasts next week.

	Actual		Forecast		Next release/meeting	
	2025	2026Q3	2026Q4	2026		
Brent crude oil (\$, spot, avg.)	68.83	91.37	97	90.80	n/a	
ZAR/USD (avg.)	17.88	16.28	16.50	16.40	n/a	
Policy interest rate (%, end of period)	7.25	7.25	7.25	7.25	19-Nov-2026	
	2025	2026Q2	2026Q3	2026		
Headline CPI (y-o-y % change)	3.2	4.5	4.5	4.4	21-Oct-26	Sep
FNAB inflation (y-o-y % change)	4.1	2.1	1.1	2.4	21-Oct-26	Sep
Headline PPI (y-o-y % change)	1.5	6.7	5.7	5.6	29-Oct-26	Sep
Real GDP growth (seasonally adjusted)						
(y-o-y % change)	1.1	0.9	0.6	1.3	1-Dec-26	2026Q3
(q-o-q % change)		-0.2	0.1			

Source: BER, Stats SA, SARB and LSEG.

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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