

Weekly Monitor

ECONOMICS | SOUTH AFRICA



Review of 28 September to 2 October and preview of 5 to 9 October 2026

- The **rand** depreciated to its weakest level since July amid broad-based US dollar strength.
- **Household finances** looked more vulnerable in Q2.
- **Credit growth** improved in August as both household and corporate demand increased.
- **Producer inflation** surprised to the downside at 5% in August due to lower food prices and slower fuel inflation.
- The **trade surplus** widened in August as imports contracted faster than exports.
- The resilience in **vehicle sales** continued into September.
- Elevated **US inflation**, alongside resilient economic growth, kept the prospect of further Federal Reserve policy tightening before year-end on the table.
- **China's** business activity strengthened as growth in manufacturing and services gained momentum.
- The **UK economy** expanded by more than expected, supported by growth in services and exports.
- Consumer demand improved in Germany and remained generally resilient in Japan.

Currencies

The **rand** recorded its sharpest weekly losses since the third week of July, falling to R16.68 against the dollar. The unit came under renewed pressure as hopes of an imminent deal with the US and Iran faded. Lower metal prices added more pressure to the local unit. Emerging market units are broadly softer this week. The **Brazilian real**, also driven by commodity prices, is down 0.9%; the Mexican peso has weakened by 3.1%, while the Indian rupee has depreciated by 0.5% to its lowest level since the third week of July. The **Korean won** bucked the trend, firming by 0.3% as the AI-trade remained broadly favourable this week.

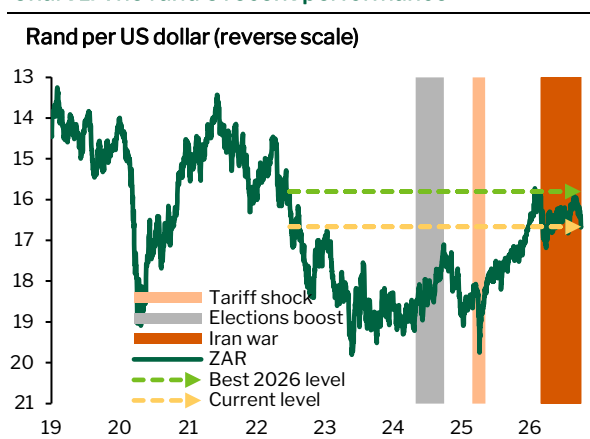
The **US dollar** strengthened broadly over the week, underpinned by safe-haven demand amid geopolitical uncertainty, and the higher prospect of another US Fed hike before the end of the year. The **euro** weakened by 1.3%, while the **pound** declined by 0.4%. The **yen** was also softer.

Table 1: The currency markets

	This week	Previous week	%Change
Rand			
USDZAR	16.68	16.28	-2.44
EURZAR	18.74	18.57	-0.90
GBPZAR	21.95	21.54	-1.89
Dollar			
EURUSD	1.124	1.139	-1.32
GBPUSD	1.320	1.325	-0.39
USDJPY	158.07	157.26	0.52

Source: LSEG

Chart 1: The rand's recent performance



Source: LSEG

Equities, bonds, and commodities

The local equity market was lower this week. The **JSE All Share Index (ALSI)** declined by 2.8%, with losses recorded across all major sectors. Softer metal prices weighed on basic materials, while the weaker rand and prospects of another interest rate hike in November hurt industrials and financials.

Global equity markets were mostly weaker. In the **US**, the Dow Jones (-1.2%), S&P 500 (-0.7%) and Nasdaq (-0.3%) retreated as investors weighed elevated Treasury yields, higher oil prices and uncertainty around the outlook for monetary policy. **European markets** also ended lower, pressured by rising bond yields and concerns that interest rates may remain restrictive for longer. In contrast, **Nikkei** gained 2.7%, supported by domestic factors despite ongoing concerns about higher energy costs.

In commodity markets, **Brent crude oil** remained above \$100 per barrel for the second week in a row, despite easing from last week's level. Heightened geopolitical tensions in the Middle East kept concerns about potential supply disruptions firmly in focus. Stalled negotiations between the US and Iran, and reports of additional US military deployments to the region as US President Donald Trump considers more strikes on Iran, and attacks on tankers transiting the Strait, fuelled fears of further disruptions to global energy supplies. Reports of Chinese refiners planning to suspend fuel exports in October and the push by some sections in the US for a cut in diesel exports helped keep oil prices elevated. **Gold** fell to \$4 114.26 an ounce on Monday, its lowest level since the first week of October, before rebounding marginally. Similarly, the **platinum** price declined.

The selloff in global **bond markets** intensified this week as investors continued to fret about inflation remaining elevated for an extended period due to high oil prices. The yield on the **10-year US Treasury bond** touched 5.34% on Thursday, the highest level since 2002. In South Africa, the **10-year government bond yield** rose to around 9% as markets priced in higher domestic inflation risks amid the currency weakness and expected sharp increases in fuel prices next week.

Table 2: Equities

	This week	Previous week	%Change
Local (JSE)			
ALSI	107763.09	110826.04	-2.76
Industrials	115768.23	118117.26	-1.99
Financials (LHS)	24404.82	25217.72	-3.22
Basic materials	83827.19	86649.82	-3.26
Global Equities			
S&P500	7651.54	7706.03	-0.71
Nasdaq Composite	26861.06	26936.04	-0.28
Dow Jones	50906.05	51511.59	-1.18
German DAX	25199.19	25410.63	-0.83
France CAC	7964.51	8123.41	-1.96
UK FTSE	10606.00	10705.26	-0.93
Nikkei	66753.72	65018.95	2.67
Commodities			
Brent crude (\$/barrel)	103.00	104.36	-1.30
Gold (\$/ounce)	4177.76	4286.25	-2.53
Platinum (\$/ounce)	1724.05	1778.16	-3.04

Source: Refinitiv

Chart 2: JSE Equities

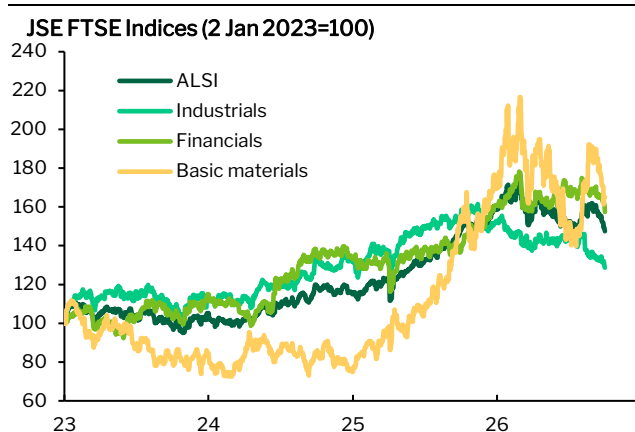
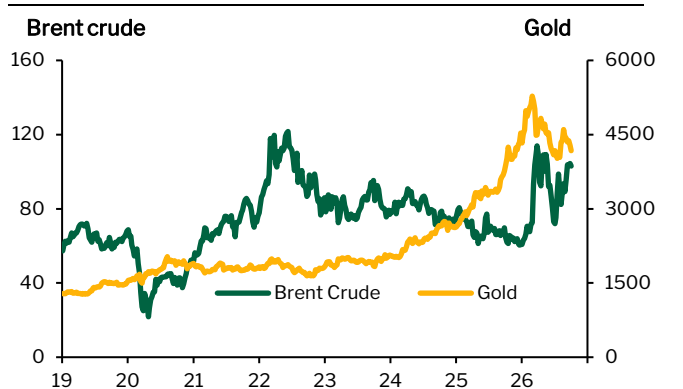


Chart 3: Commodities



Source: Refinitiv

Economic developments

Domestic economic releases and events

Data from the **South African Reserve Bank (SARB) Q2 Quarterly Bulletin** showed that **household finances** were more vulnerable in Q2. **Real PDI growth** increased marginally from 0.1% qoq in Q1 to 0.2% in Q2. Compensation of employees contracted by 2.5%, reversing the 2.3% increase recorded in the previous quarter. However, this weakness was partly offset by stronger growth in other forms of income. Other income (including profits, rents, interest, and dividends) rebounded by 6.5% qoq in Q2 following a sharp contraction of 4.8% in Q1. Together with withdrawals from retirement savings and the relatively low-interest-rate environment, these factors continued to support household consumption expenditure. Nevertheless, signs of pressure on household finances were evident during the quarter, as the surge in fuel prices and the subsequent rise in inflation following the start of the US-Iran conflict heightened concerns about interest rate hikes, weighing on consumer confidence. As a result, households were more cautious about taking on additional debt. Growth in household debt moderated, leading to a decline in the household **debt-to-disposable-income ratio** from 62.1% to 61.3%. The SARB dramatically revised its debt-service-cost-to-PDI ratio. The revised series showed that households' debt-servicing burden remained onerous, easing from a revised peak of 10.6% (versus 9.4% previously) in Q1 2024 to 9.5% in Q1 2026 (previously 8.4%) and to 9.4% in Q2 2026. The revised series follows the

same trajectory as the previous numbers but adds almost a full percentage point to the debt service costs ratio from mid-2022 onwards, indicating a much more vulnerable consumer than the previous figures suggested.

In a separate release, the SARB reported that **private sector credit extension** accelerated in August after three consecutive months of moderation, with annual growth rising from 7.3% to 7.7%. The improvement was driven primarily by stronger growth in mortgages and other loans and advances. By contrast, growth in investments and bills continued to soften, slowing from 8.3% in July to 4.9% in August due to fading base effects. Growth in **bank loans and advances**, excluding the more volatile investments and bills category, accelerated to 7.7% in August, after holding steady at 7.3% for three months. The improvement reflected stronger credit demand from both households and corporates. Credit growth is expected to remain broadly resilient, supported by the ongoing recovery in household credit demand. However, the upside will be constrained by fragile confidence amid higher inflation and moderately higher interest rates. Corporate credit growth should also hold up reasonably well, propped up by investments in renewable energy, but global uncertainties are expected to lead to slower growth.

Producer inflation (PPI) decreased further in August, dropping to 5% from 5.7% in July. The deceleration reflected lower petrol prices and falling food prices. The coke and petroleum products category slowed from 24.4% yoy to 20.9% as petrol prices declined by 0.3% in August, subduing its yoy increase from 21.8% to 20.9%. This outweighed the impact of the acceleration in diesel prices (from 29.4% to 31.9%). We do not expect the softening to last. Fuel prices rose again in September, and the under-recovery data points to even steeper hikes in October. The renewed upsurge reflects the escalation of the Middle East conflict and the resulting tightening of oil supplies, which pushed oil prices above \$100 per barrel. Food remained a disinflationary force, contracting by 0.6% yoy following a 0.3% increase in July. Price movements within the broader food category were mixed. The downward force mainly came from meat prices, where the yoy rate of decline deepened from 3.4% to 5.8%, reflecting the fading impact of foot-and-mouth disease. Inflation for grain mill products, fruits and vegetables, and oils and fats continued to benefit from healthy summer harvests and low global food prices. We expect PPI to pick up again in September due to higher fuel prices, which will outweigh the impact of subdued food inflation. The general inflation outlook remains highly uncertain and critically dependent on developments in the Middle East conflict and their implications for global energy markets. Our preliminary estimates show PPI reaching around 6% in the last quarter of the year, averaging 5% in 2026, up from 1.5% in 2025.

The **trade surplus** surprised to the upside in August, widening to R20.5 billion from a downwardly revised R18 billion in July. Both imports and exports contracted during the month, although the decline in imports was more pronounced. Import volumes recorded their third consecutive monthly contraction, the steepest decline since February, falling by 7.8% after a marginal 0.1% decrease in July. Exports also weakened, declining by 5.8% after posting modest growth of 0.3% in the previous month. The drop in imports was broad-based, with most major categories recording declines. Original equipment (-20.2% from +13.9%), chemical products (-16.5% from +13.8%), vehicles and transport equipment (-7.9% from +27.6%), and machinery and electronics (-4.7% from +0.5%) registered the largest contractions. Mineral product imports, which include crude oil shipments, declined for a third consecutive month, albeit at a slower pace (-4.0% from -30.1%). On the export side, the decline was driven primarily by lower shipments of vegetables (-9.0% from +11.2%), mineral products (-9.1% from +12.8%), precious metals (-9.2% from -20.8%), and machinery and electronics (-3.0% from +18.1%). This was partially offset by a sharp increase in other classified goods (+196.3% from +4.4%), although this category accounts for only a small portion of total exports. Despite the monthly weakness, exports remained stronger than imports on an annual basis, with export growth accelerating to 6.7% while imports contracted by 3.9%.

The risks to the trade balance remain tilted to the downside. Although the US and Iran have recently resumed indirect engagement through mediators, negotiations remain fragile, and there is still no path to a sustainable agreement. In the absence of a lasting de-escalation, oil prices are likely to remain elevated and volatile, exerting upward pressure on South Africa's fuel import bill. On the export side, receipts should continue to benefit from relatively firm prices for some of South Africa's key commodity exports. However, the upside is likely to be constrained by subdued global growth and weaker external demand, particularly from major trading partners. Persistent geopolitical tensions and trade uncertainty could dampen global investment and manufacturing activity, limiting support for commodity demand.

New vehicle sales rose 12.7% yoy to 61 645 units in September 2026, while exports fell 18.8% yoy to 31 473 units. Passenger car sales led the gains, up 14.7% yoy to 44 291 units, followed by an increase of 9.6% in light commercial vehicles. Medium commercial vehicle sales edged up 3.4%, while heavy trucks and bus sales slipped marginally to 2 204 units. Dealer sales made up 81.4% of the total, followed by the rental industry (13.8%), government (2.6%) and corporate fleets (2.2%). New Energy Vehicle (NEV) uptake continued to accelerate with 18 945 units in the first eight months of 2026 already exceeding the 16 703 units sold in 2025. Looking ahead, NAAMSA expects the resilience to continue, supported by intensifying price competition, a wider range of entry-level models and attractive financing options. However, the 25-bps hike in the repo will pose risks to affordability.

The manufacturing sector weakened further in August, with the **Absa PMI** sliding to 45.8 from 46.8 in July, marking its fourth consecutive monthly decline and the lowest reading of 2026. The deterioration was driven by weaker business activity (40.2) and a renewed decline in new sales orders (40.3), reflecting subdued domestic demand, weak consumer confidence and soft spending on discretionary goods. While export demand showed some resilience, employment remained in contractionary territory despite improving to 46.2. Supply chain disruptions contributed to slower supplier deliveries, with reports of container shortages and

congestion at Durban harbour. Input cost pressures remained elevated amid higher fuel, oil and freight costs, although a stronger rand offered some relief on imported inputs. Encouragingly, business confidence improved, with expected business conditions over the next six months.

International economic releases and events

This week's key releases showed that **US** inflation remained high despite coming in lower than forecasts, while the final Q2 GDP release showed stronger growth momentum than initial estimates, with a large upward revision to consumer demand growth. The **PCE price index** rose by a faster 0.3% mom in August, but stayed at 3.4% yoy. The consensus forecast was for an unchanged 3.7%, but adjustments to the calculation of certain price components led to a downward revision of the July number to 3.4%. Steady food prices offset the pressure from energy costs, with gasoline price increases accelerating from 2.8% mom in July to 4.4% in August. Services inflation edged higher from 0.9% to 2.3%, with transportation services up from 0.8% to 1.4%. **Core PCE inflation**, the Fed's preferred inflation measure, was steady at 3% (the July figure was revised from 3.3% to 3%). Despite inflation coming in below expectations, price pressures remained well above the Fed's 2% target. As a result, markets continued to reflect the likelihood of another rate hike later this year. Meanwhile, revised data showed that the **economy** expanded at an annualised rate of 2.2% in Q2, up from the initial estimate of 1.5%. The upward revision was primarily due to stronger consumer spending, business investment and government expenditure. Consumer spending growth was revised to 3.8% from the previous 3.4%, with household demand firming sharply from 0.7% in Q1. At the same time, investment was supported by stronger fixed investment and inventory accumulation, particularly in non-residential structures such as commercial and data-centre construction.

Releases from the other large economies reflected broadly resilient growth momentum despite the heightened inflation pressures. Elsewhere, **German retail sales** rebounded by 1.3% mom in August, following a 3.2% decline in July and marking the strongest increase since June 2025. The recovery was driven by higher food and non-food sales, while online and mail-order sales increased by 3.7%. At the same time, **Japan's retail sales** rose by 2.7% yoy in August, supported by government measures aimed at easing cost-of-living pressures. Growth was driven largely by a 17.7% surge in motor vehicle sales, although retail sales fell by 1.2% mom, indicating some moderation in consumer spending momentum.

The **UK economy** expanded by 0.5% qoq in Q2, revised up from the first estimate of 0.4%, following growth of 0.6% in Q1. The services sector, which increased by 0.6%, was supported by strong gains in professional, scientific and technical activities. Construction output rose by 0.8%, while industrial production declined marginally by 0.1% as drops in utilities and water sectors outweighed gains in manufacturing and mining. On the expenditure side, growth was driven mainly by net exports, with exports rising 2.8% while imports were flat. Household consumption increased by 0.3% and fixed investment rose 0.9%, partly offset by a 0.5% decline in government spending. Year on year, **GDP** growth firmed from 0.8% to 1.4%.

In **China, business activity** strengthened in September, with both the services and manufacturing sectors recording faster growth. The **services PMI** edged up from 51.4 in August to 51.6, supported by stronger domestic demand and an acceleration in export orders. Meanwhile, **manufacturing** activity improved more noticeably, with the **PMI** rising from 51.5 to 52.1. The increase was driven by stronger export demand, with new export orders reaching their highest level since February. Despite improved activity, pricing conditions remained weak, with service-sector firms cutting output prices at the fastest pace since April 2022 amid ongoing competitive pressures. Together, stronger performances in manufacturing and services lifted the **Composite PMI** from 52.1 to 52.4, suggesting that economic momentum strengthened further in September, supported by both domestic and external demand. This data still shows a historically moderate growth pace in the world's second-largest economy, suggesting that the 2026 growth target of "around 5%" could be missed. To boost activity, Chinese authorities introduced new incentive measures for first-time homebuyers this week, including mortgage rate subsidies of up to 5 years.

Next week's focus: Key economic releases and events

Domestic

Next week is relatively quiet on the data front, with only **August manufacturing production** scheduled for release. Manufacturing production remains on the back foot and is expected to return to contraction following its July increase. We forecast output to decline by 0.4% yoy in August, following growth of 1.1% recorded in July. The sector continues to grapple with high input costs stemming from operational inefficiencies and elevated electricity costs (and other administrative prices), which are eroding competitiveness. These challenges have been compounded by higher US tariffs on key manufacturing exports, fuel price increases, and supply shortages following disruptions to shipping through the Strait of Hormuz, all of which are weighing on production.

International

This afternoon, attention will be on the monthly US jobs report. **Non-farm payrolls** are expected to have risen by a lower 100 000 in September from 162 000 in August. The **unemployment rate** is projected to edge up to 4.2%, while wage growth remains unchanged at 0.3% mom and 3.1% yoy.

Next week, attention will focus on US trade data and the preliminary consumer confidence data. The preliminary **University of Michigan consumer sentiment** is expected to show a modest improvement in consumer confidence in October, while inflation expectations are projected to remain elevated. This will provide further insights into the outlook for household spending and price pressures. Final **S&P Global PMI** readings for the US and other major economies will also be released and are expected to confirm the preliminary estimates. Elsewhere, EU retail sales and French and German trade data will be monitored for signs of economic momentum, while the **Reserve Bank of India** is expected to leave its repo rate unchanged at 5.5%.

Table 3: Release Calendar

Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
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	%
Japan	S&P Global Comp Op Final SA	Sep	52.5	52.5	Index
Japan	S&P Global Services PMI Final SA	Sep	51.6	51.6	Index
France	S&P Services PMI	Sep	51.4	51.4	Index
France	S&P Composite PMI	Sep	51.2	51.2	Index
Germany	S&P Services PMI	Sep	52.9	52.9	Index
Germany	S&P Composite Final PMI	Sep	53.8	53.8	Index
EU	S&P Services Final PMI	Sep	53.0	53.0	Index
EU	S&P Composite Final PMI	Sep	53.1	53.1	Index
UK	S&P Global Service PMI	Sep	51.7	51.7	Index
UK	S&P Global PMI: Composite	Sep	51.7	51.7	Index
US	S&P Global Comp PMI Final	Sep	58.4	58.4	Index
US	S&P Global Services PMI Final	Sep	58.7	58.7	Index
EU	Retail Sales (mom)	Aug	-0.4	-0.6	%
EU	Retail Sales (yoy)	Aug	0.1	0.6	%
US	Balance of Trade	Aug	-99.0	-88.6	
US	Exports	Aug	316.0	310.7	
US	Imports	Aug	415.0	399.3	
India	Repo Rate	7 Oct	5.5	5.3	%
SA	Net \$Gold & Forex Res	Sep		73.7	Billion
SA	Gross \$Gold & Forex Res	Sep		76.0	Billion
France	Trade Balance, EUR, SA	Aug	-6.5	-6.7	Billion
France	Imports, EUR	Aug	61.6	61.3	Billion
France	Exports, EUR	Aug	55.1	54.7	Billion
Germany	Exports (mom) SA	Aug		-0.8	%
Germany	Imports (mom) SA	Aug		-5.7	%
Germany	Trade Balance, EUR, SA	Aug	19.5	21.3	Billion
SA	Manuf Production (mom)	Aug		2.2	%
SA	Manuf Production (yoy)	Aug		1.1	%
US	U Mich Sentiment Preliminary	Oct	48.6	48.1	Index
US	U Mich Conditions Preliminary	Oct	51.0	50.9	Index
US	U Mich Expectations Preliminary	Oct	46.5	46.3	Index
US	U Mich 1Yr Inf Preliminary	Oct	4.7	4.6	%
US	U Mich 5-Yr Inf Preliminary	Oct	3.5	3.4	%

Source: LSEG/Trading Economics

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