

South Africa: Economics & Risk Trends

Nedbank
June 2026

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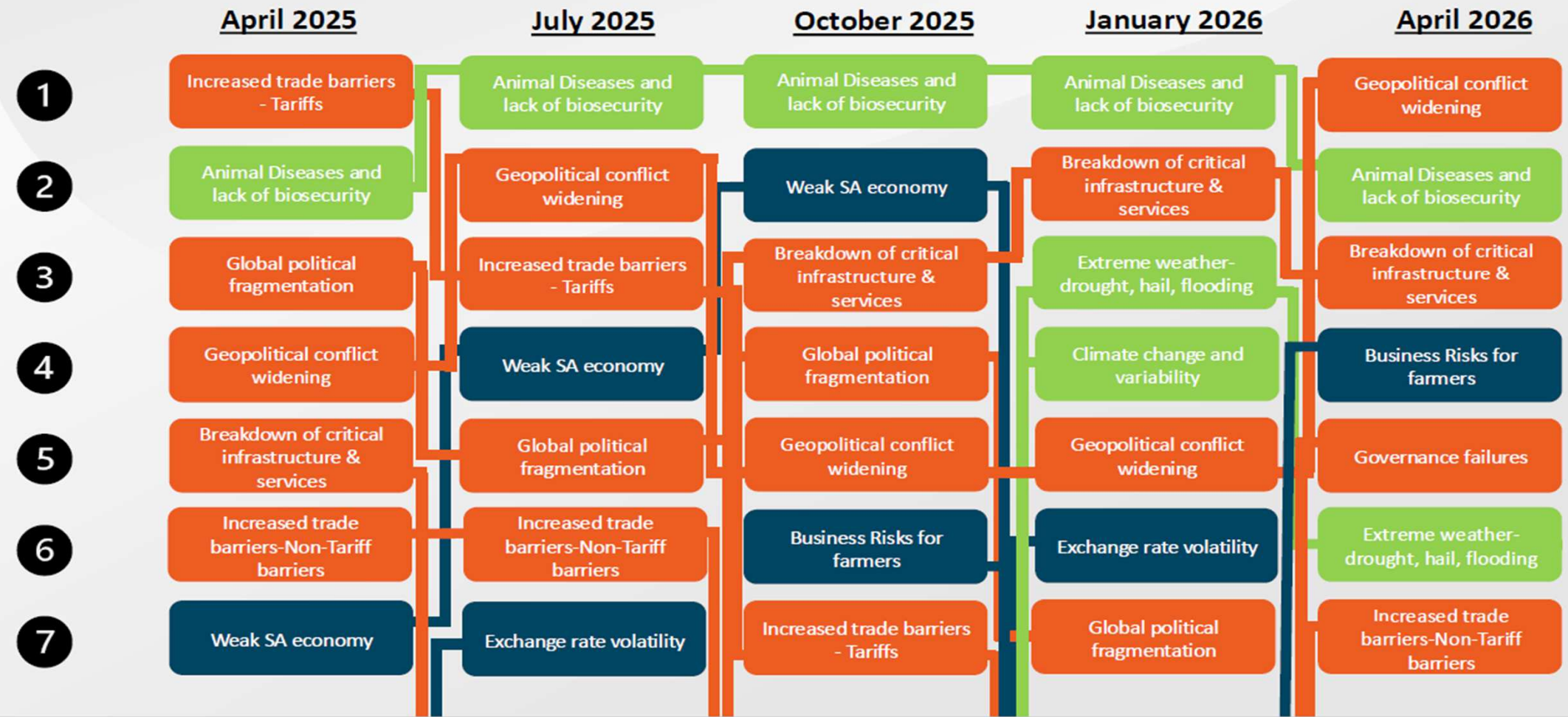


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Top important Risk identified – 2026 Q1

Changes observed from the top risks over time



Source: BFAP

Structural reforms

A work in progress



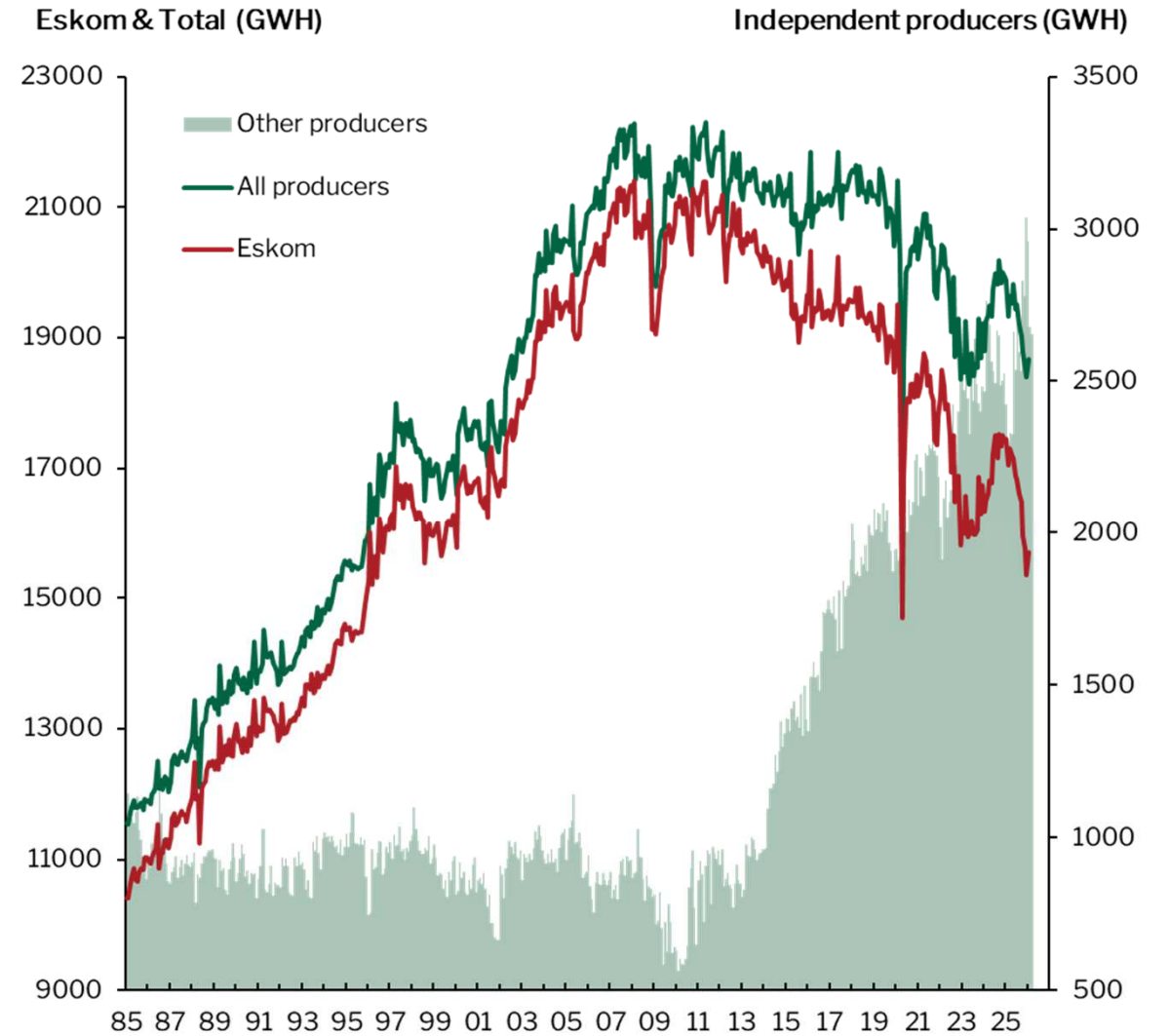
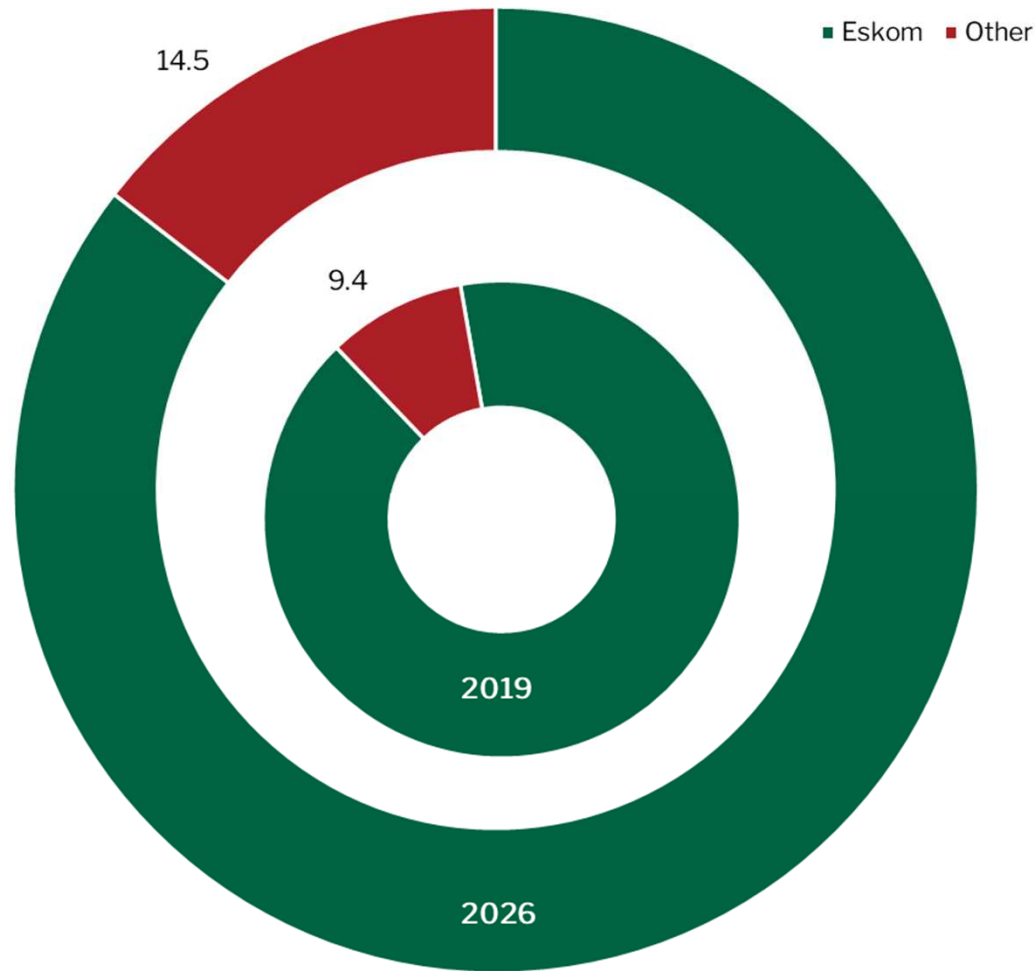
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Electricity supply stabilised



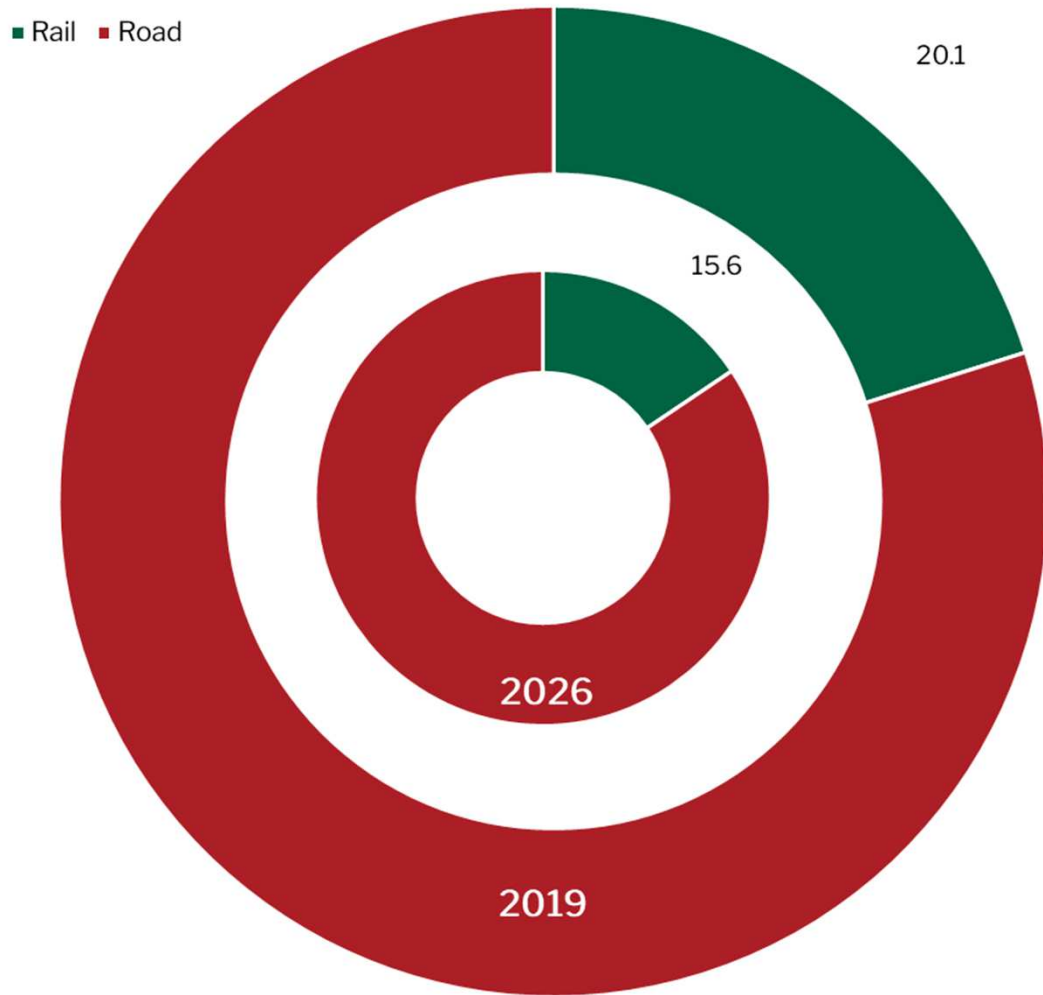
Independent producers made a significant contribution

Production

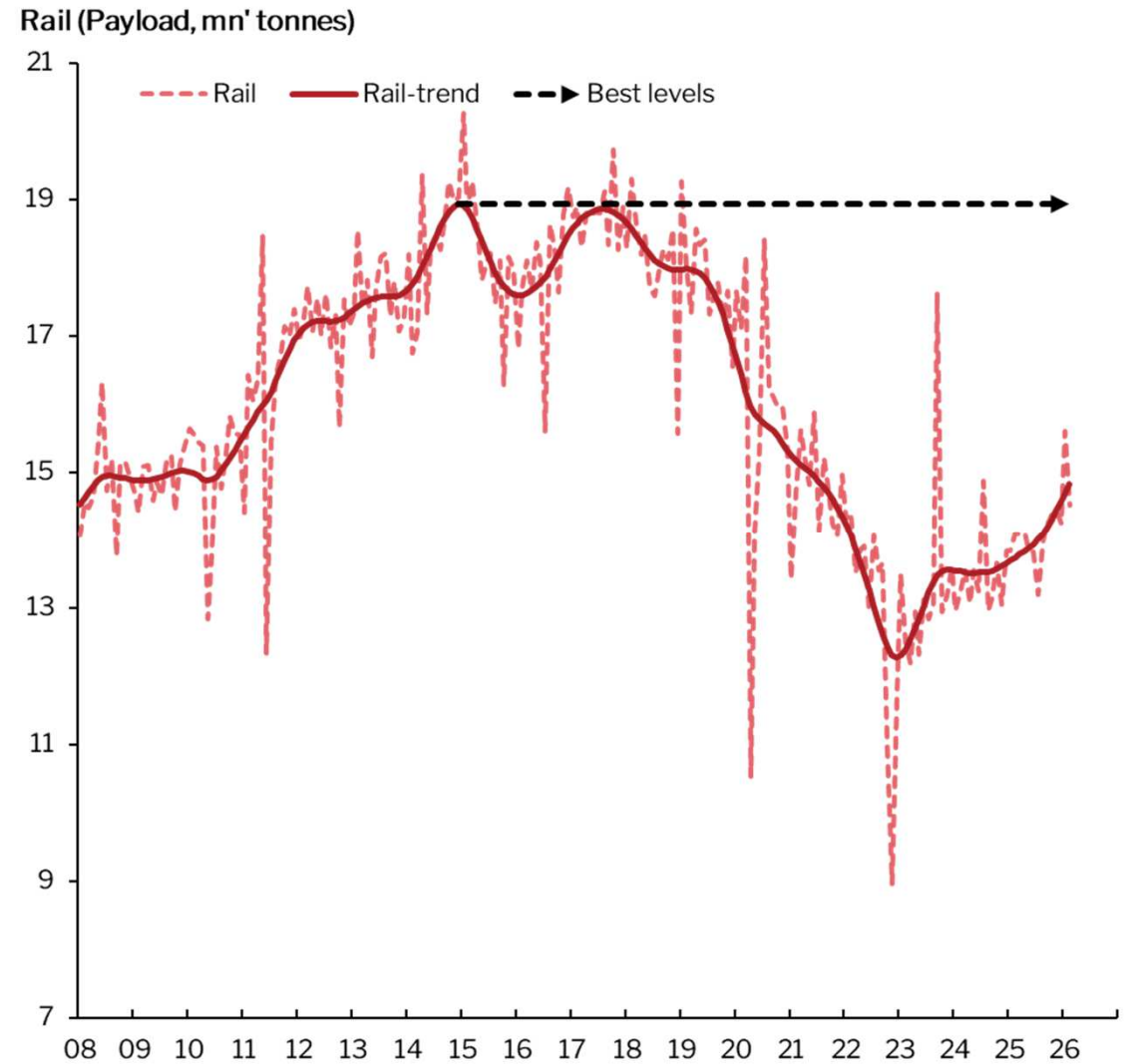


Rail transport

Better but not great



Moving in the right direction, but miles off its best levels

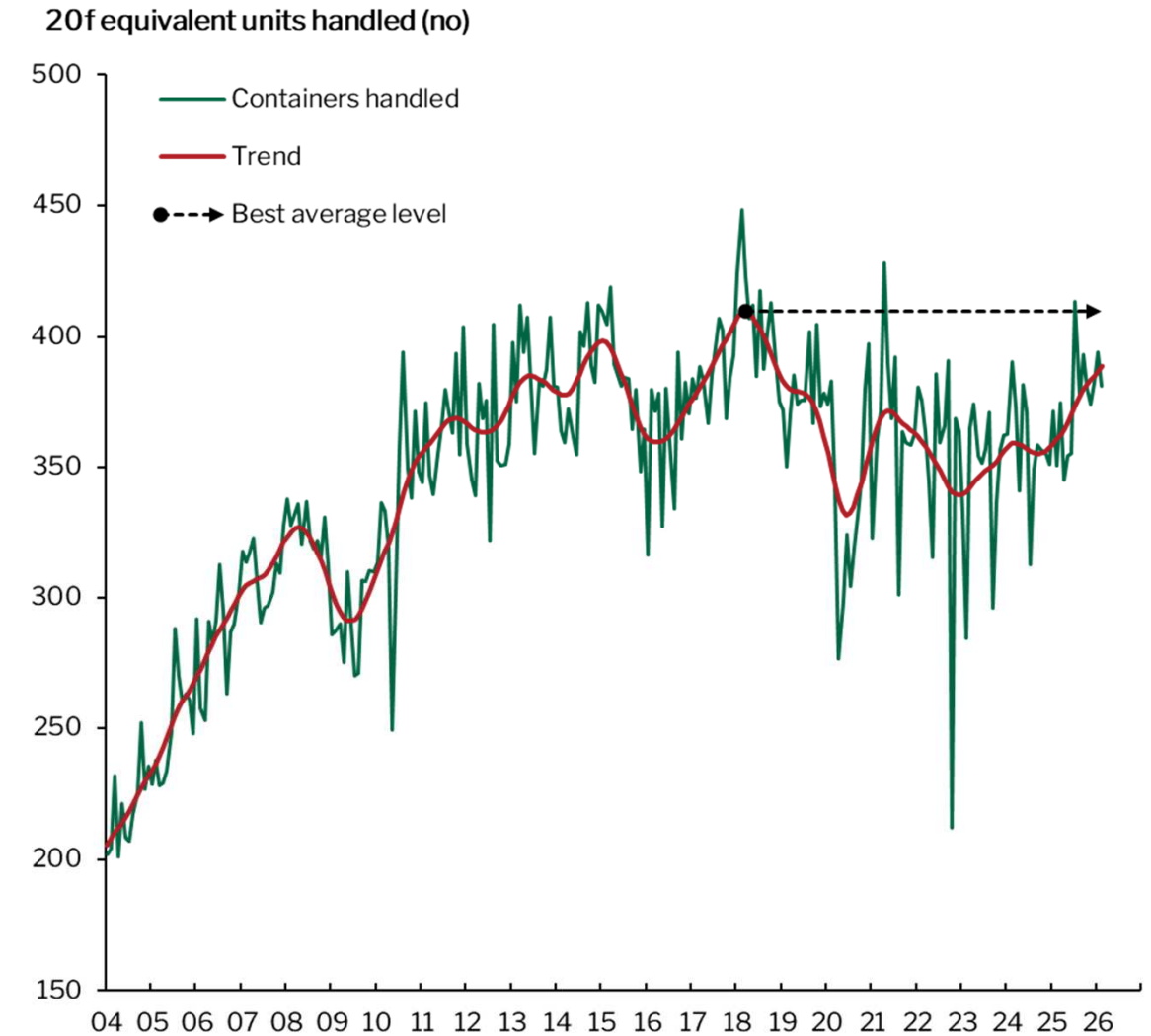
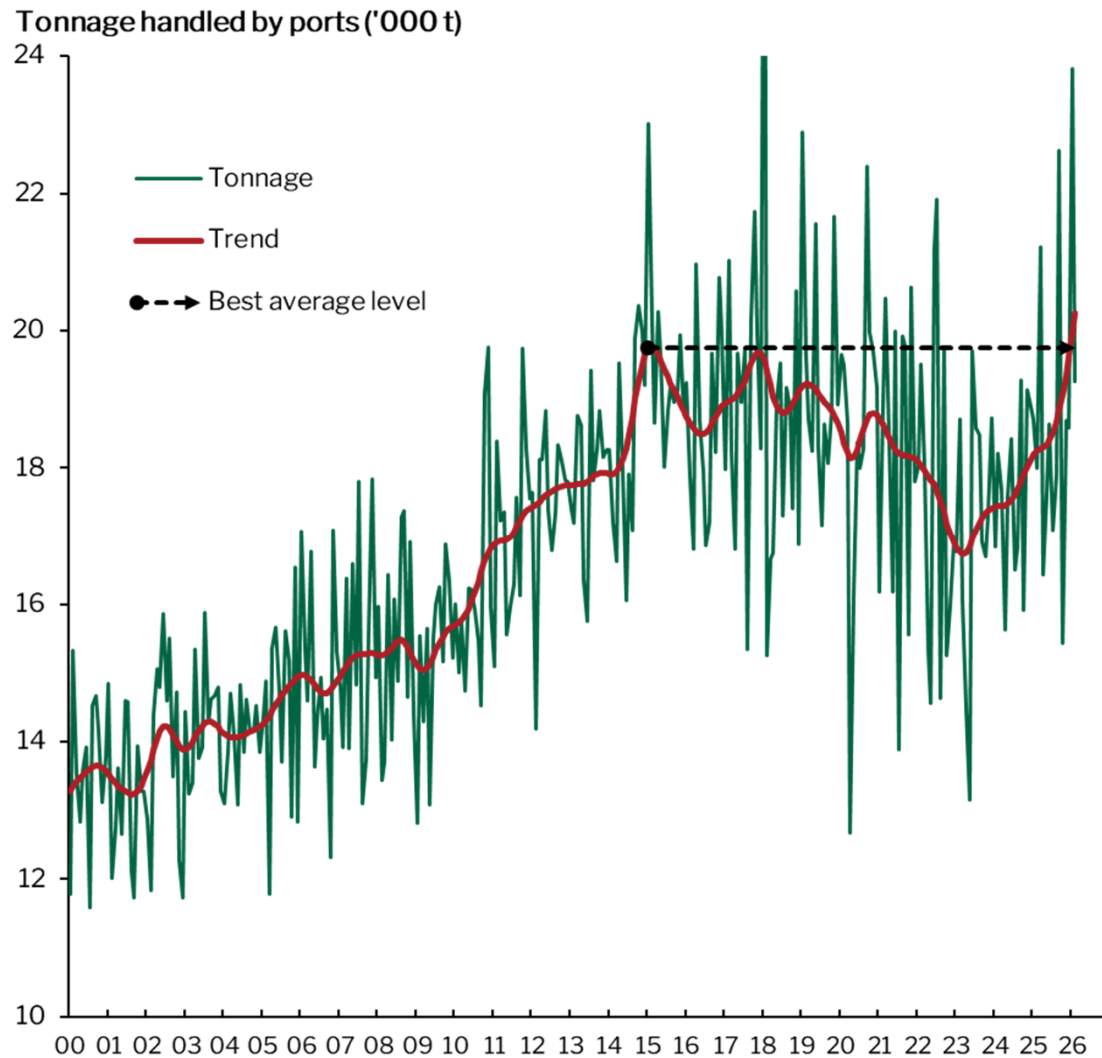


Port efficiencies



Significant progress in the processing of bulk minerals

Efficiencies in container traffic has also improved but differ significantly from port to port



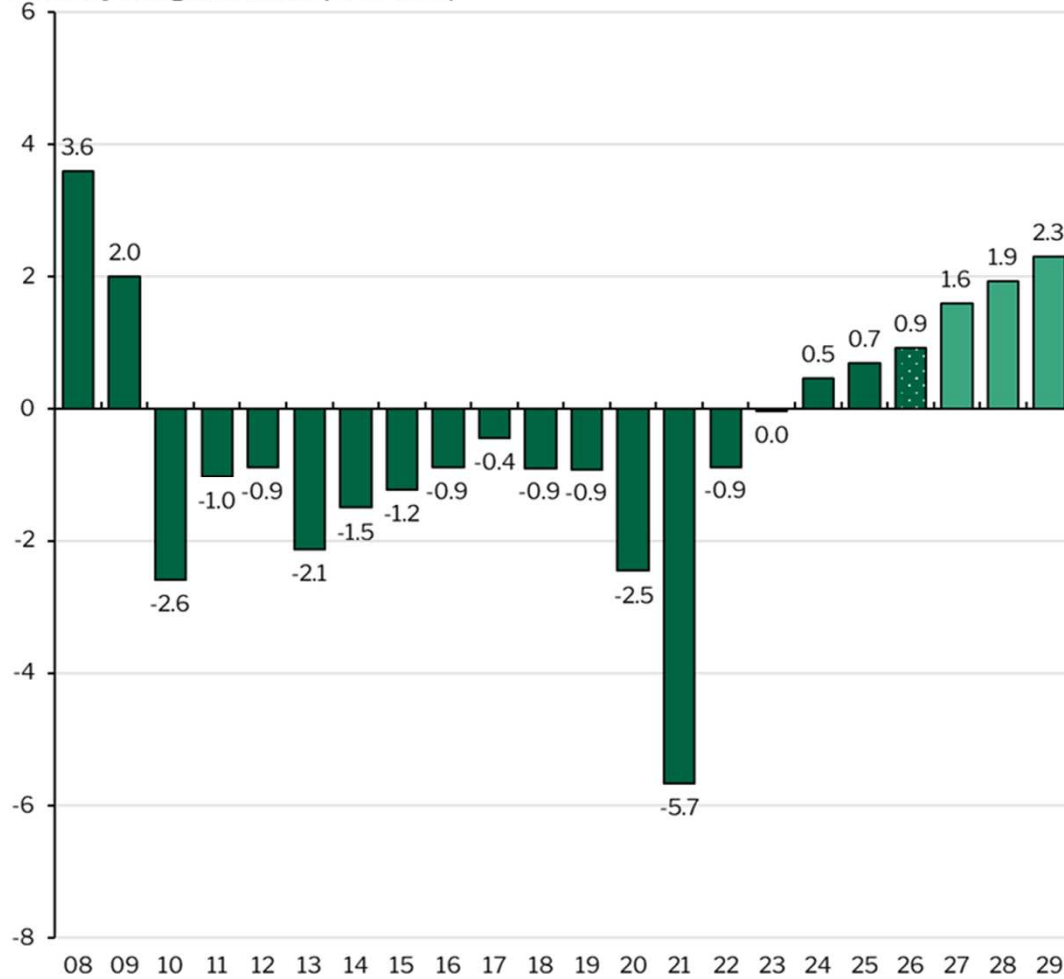
Government has stayed the course on fiscal discipline and earned a ratings upgrade



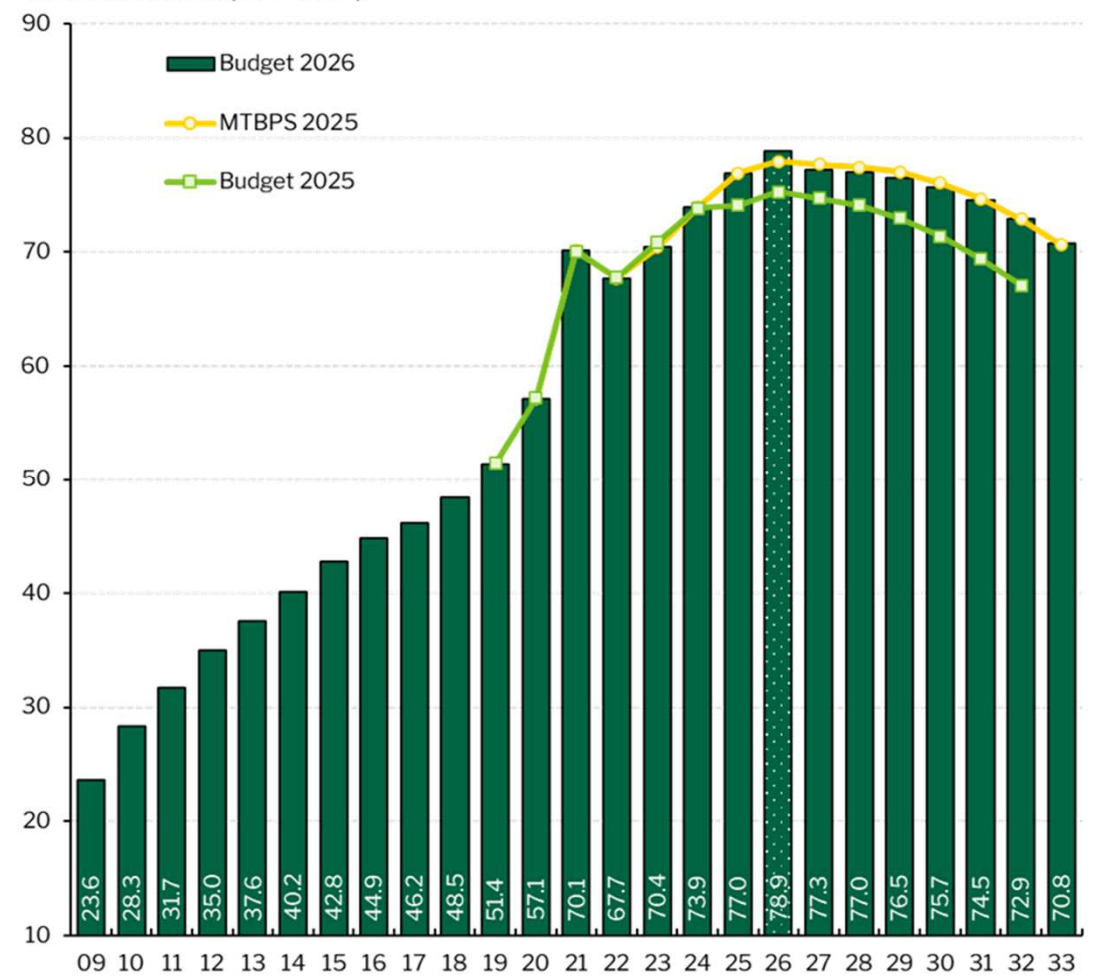
South Africa managed to run a primary surplus for 3yrs running

National Treasury believes fiscal policy will turn the corner this year, with a peak in the debt burden

Primary budget balance (% of GDP)



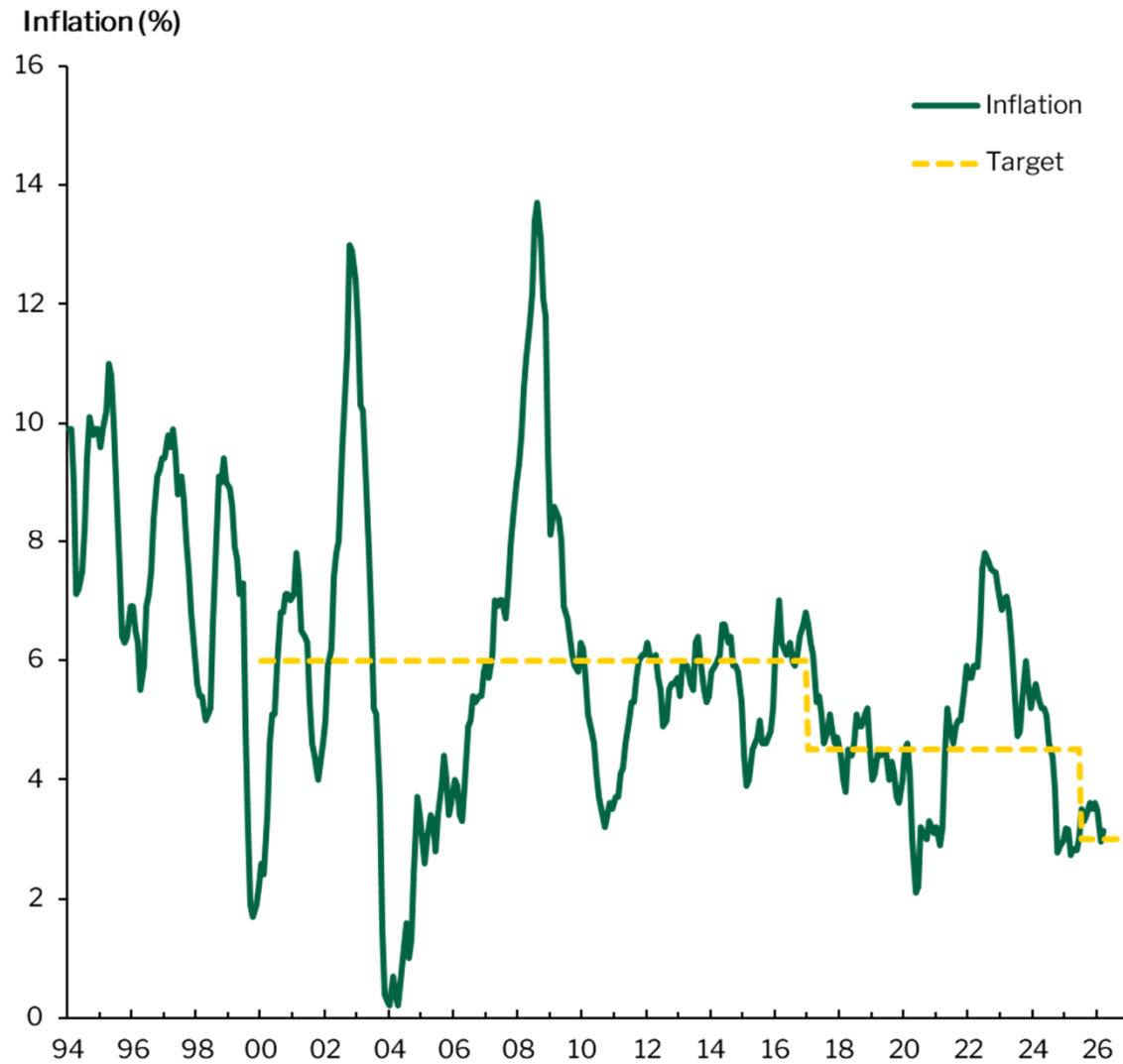
Gross loan debt (% of GDP)



Structural and policy reforms lowered SA's risk premium



The SARB adopted a lower inflation target of 3% with a tolerance band of 1%

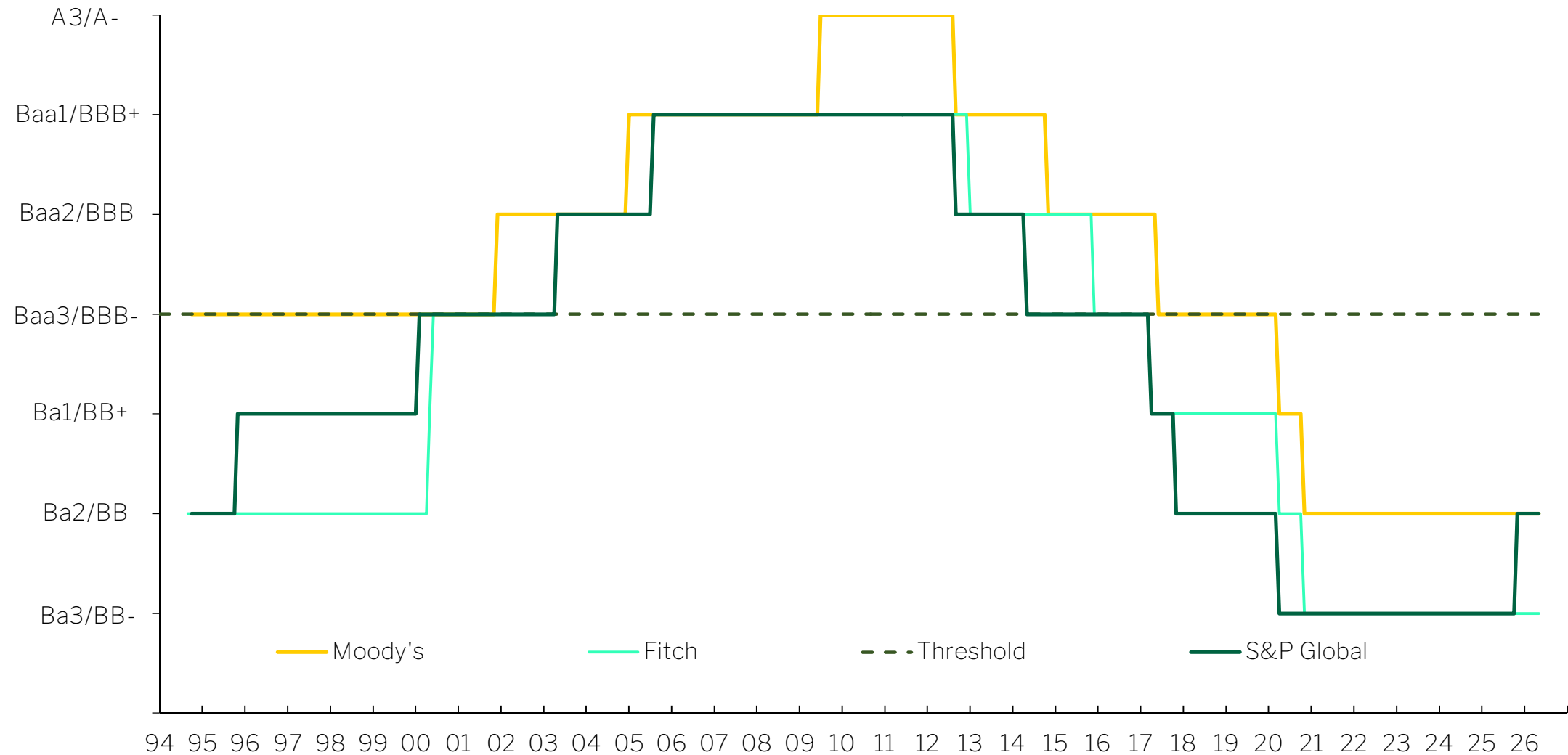


Rating agencies are improving their macroeconomic outlook



Moody's has revised outlook to positive. S&P Global upgraded to BB in Nov 2025 and maintained a positive outlook.

Long-term foreign currency ratings: South Africa





The economy

Recent performance

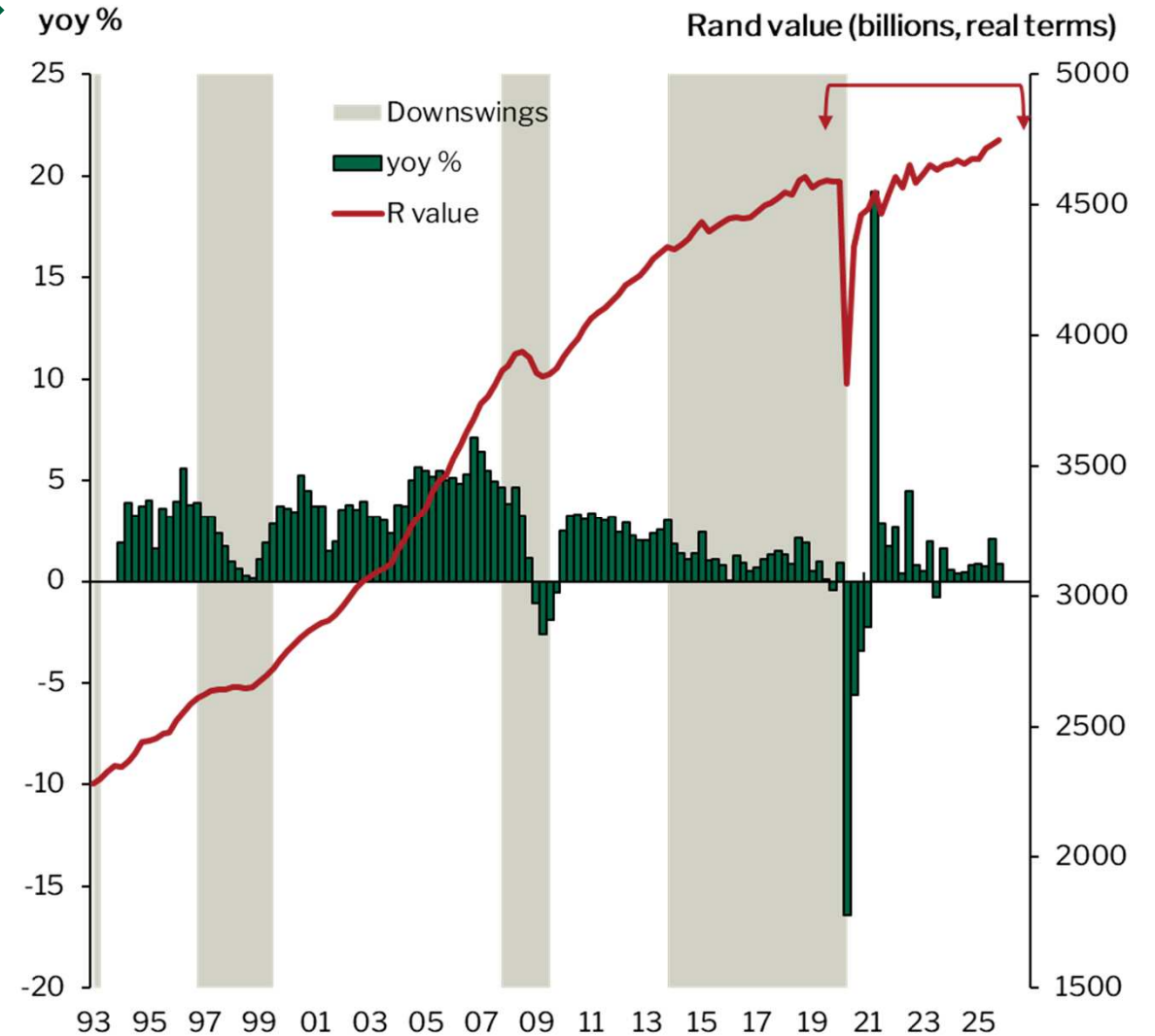
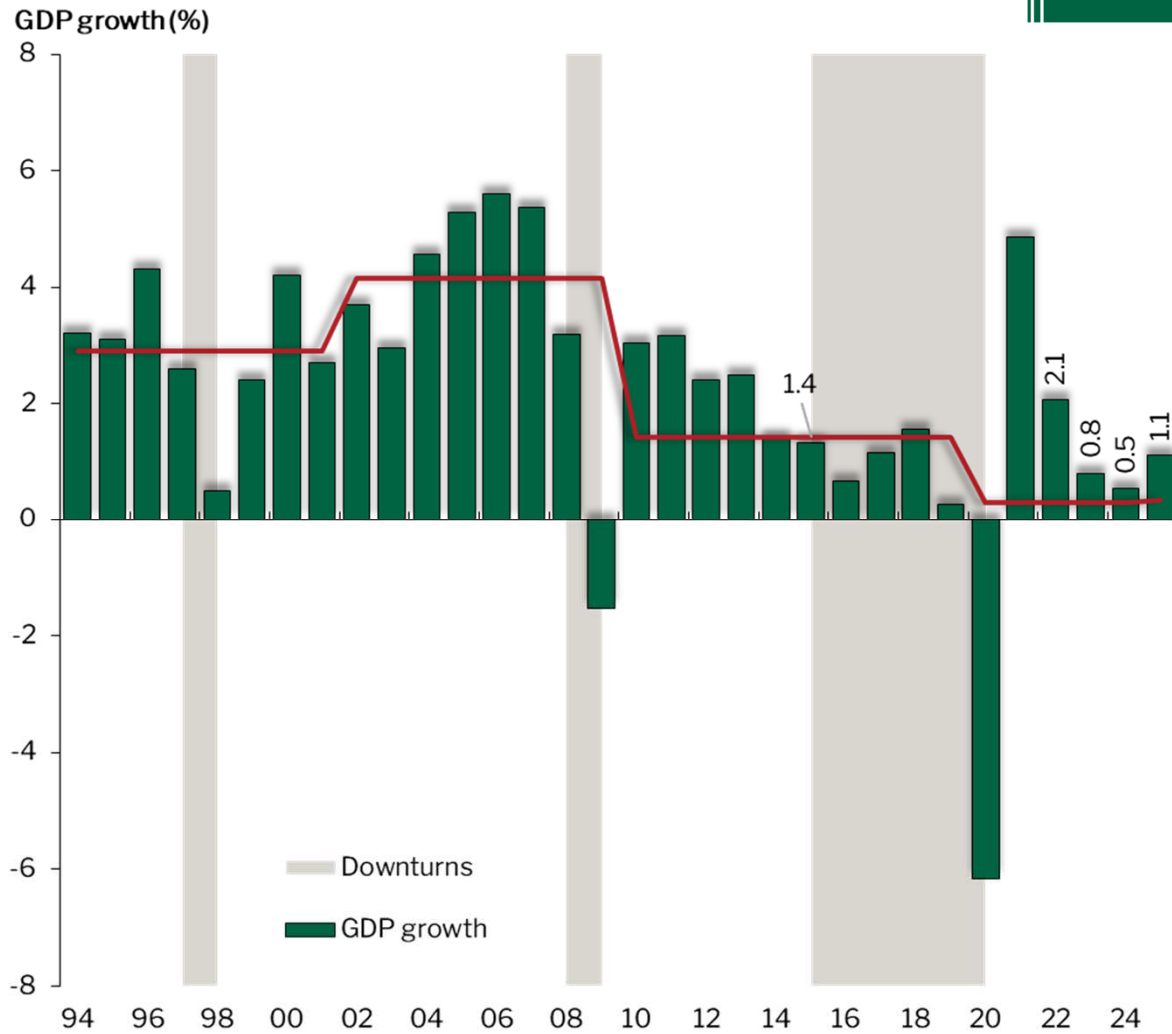
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Economic growth remained constrained but improved



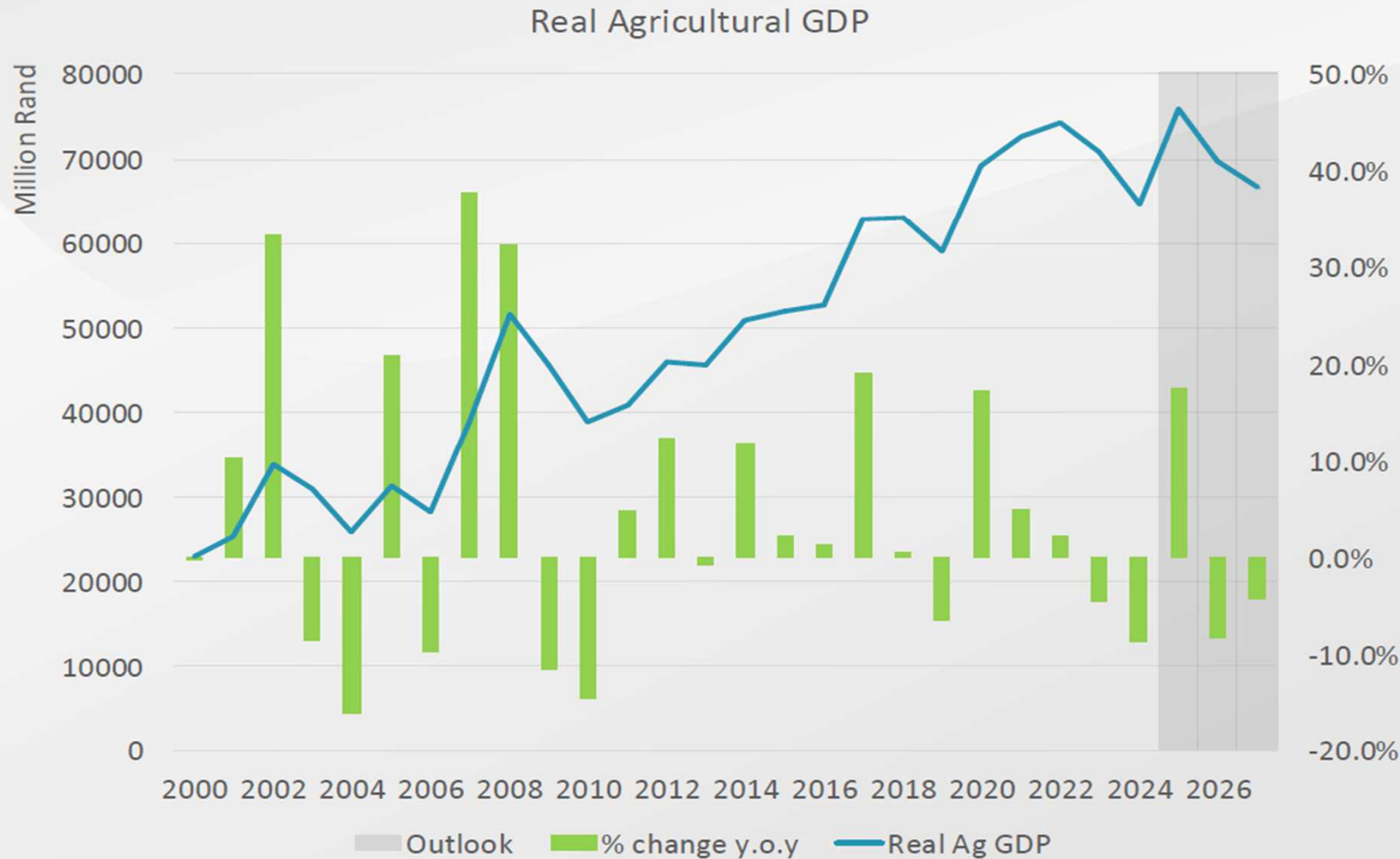
South Africa remains locked in a low-growth trap

Even so, a slow and steady recovery is underway



Agricultural GDP facing increasing headwinds in 2026

Uncertainty around duration of war in Iran but its influence is already exacerbating pre-existing trends



Several challenges influencing growth prospects:

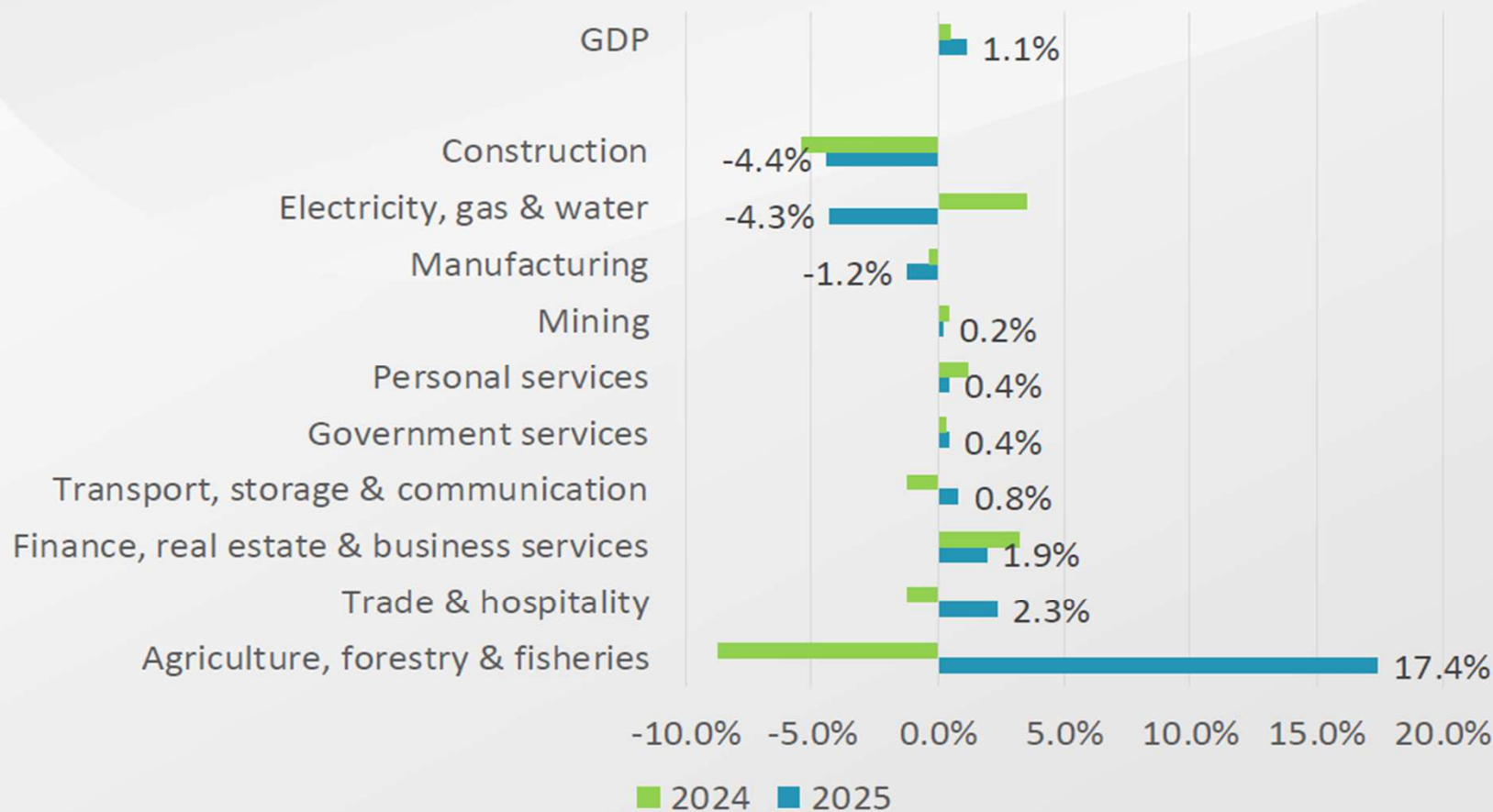
- Another strong crop in 2026 resulted in much more price pressure than in 2025 now that stocks have been rebuilt and regional supply also improved
- Middle East is an important export market for fruit and meat, which is currently not really accessible
- While Rand has depreciated somewhat in response to war, it remains much stronger than in 2025 – affecting export revenue
- Animal disease impacts remain significant
- As beef supply recovers, lack of access to Middle East may bring price pressure

Source: BFAP

Agricultural performance exceeded expectation in 2025

Strong base effects following successive declines in 2023 & 2024 had substantial influence

GDP performance of different subsectors in 2024 & 2025



Several reasons for strong performance:

- Strong yields for most crops and prices held firm for longer due to regional demand, stock recovery & uncertainty on volumes
- Exceptional export performance from winter fruits
- High beef prices amid widespread FMD supported prices and profitability across other meat sectors
- Decline in feed prices in second half of year supported profitability in intensive livestock

Agriculture remains volatile but resilient through many challenges

Source: BFAP



The long shadow of an increasingly volatile world

Tariffs and the Middle East war

2026/06/05

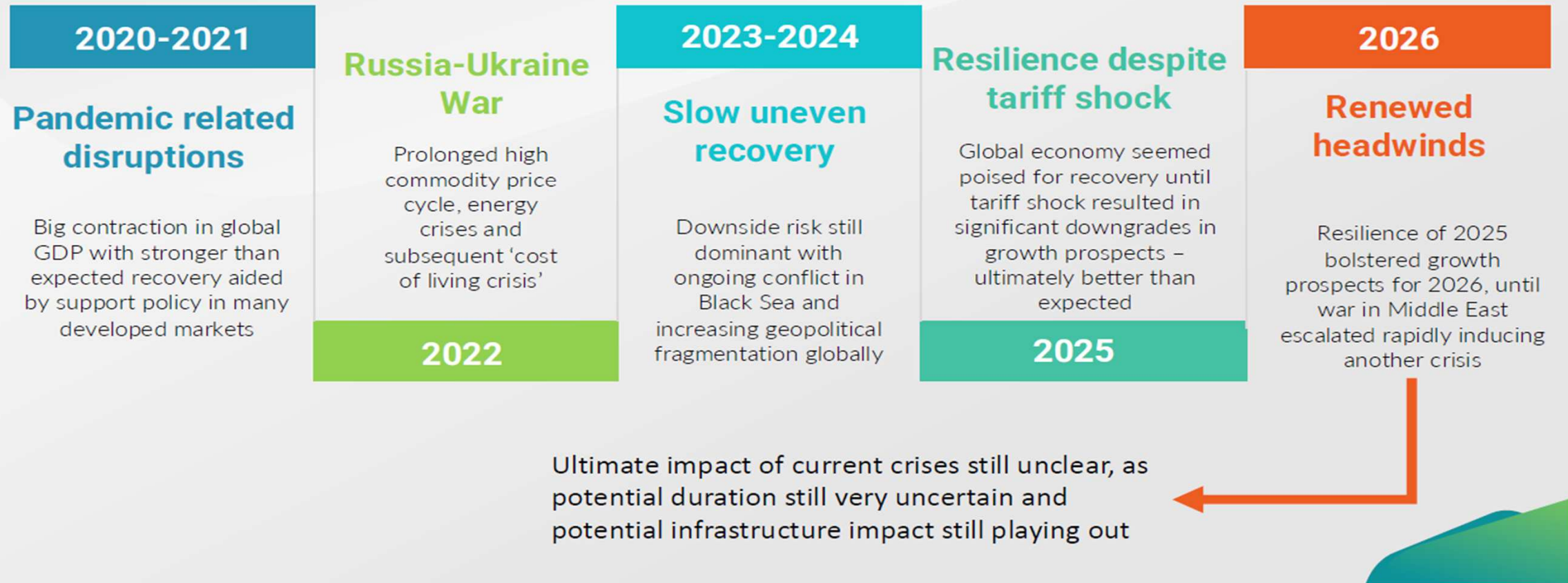
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Global growth better than expected in 2025, but with new headwinds in 2026 that will likely change current projections



Countervailing forces, significant regional differences and one of the major risks note in Jan now playing out



Source: BFAP

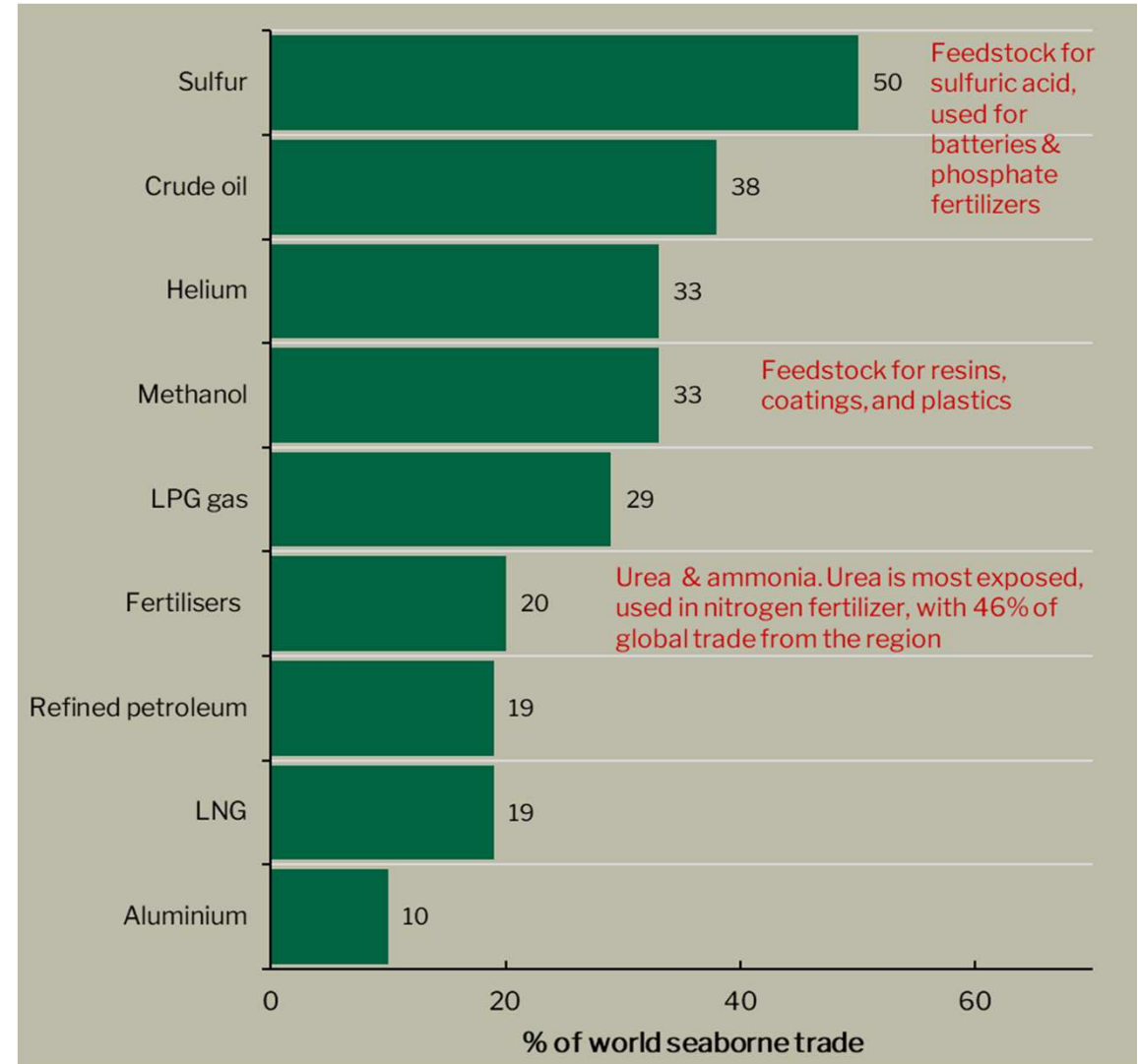
The Iran war has caused another major commodity shock



The key chokepoint – the closure of the Strait of Hormuz

Share of world seaborne trade passing through the Strait

The Persian Gulf



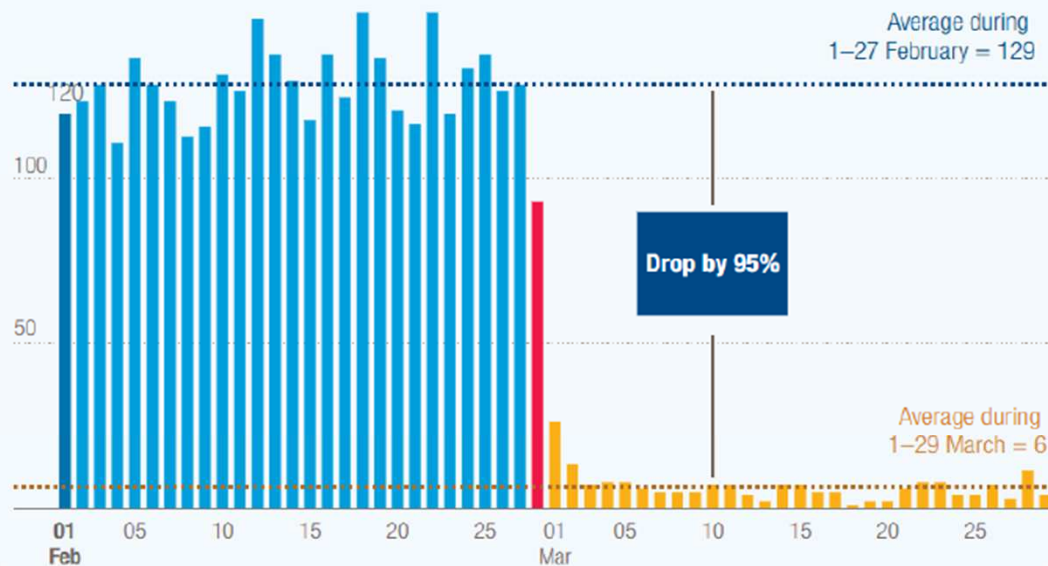
Strait of Hormuz transit and energy price spike in numbers

The longer the Iran conflict lasts, the bigger the economic impact on the global economy

Around 4.7% of global trade travels through the Strait of Hormuz, and energy and fertiliser have been the hardest hit, but the Gulf countries are all net importers of food, primarily using the same import route.

Strait of Hormuz transit has been at a near halt for a month

Total number of daily ship transits through the strait



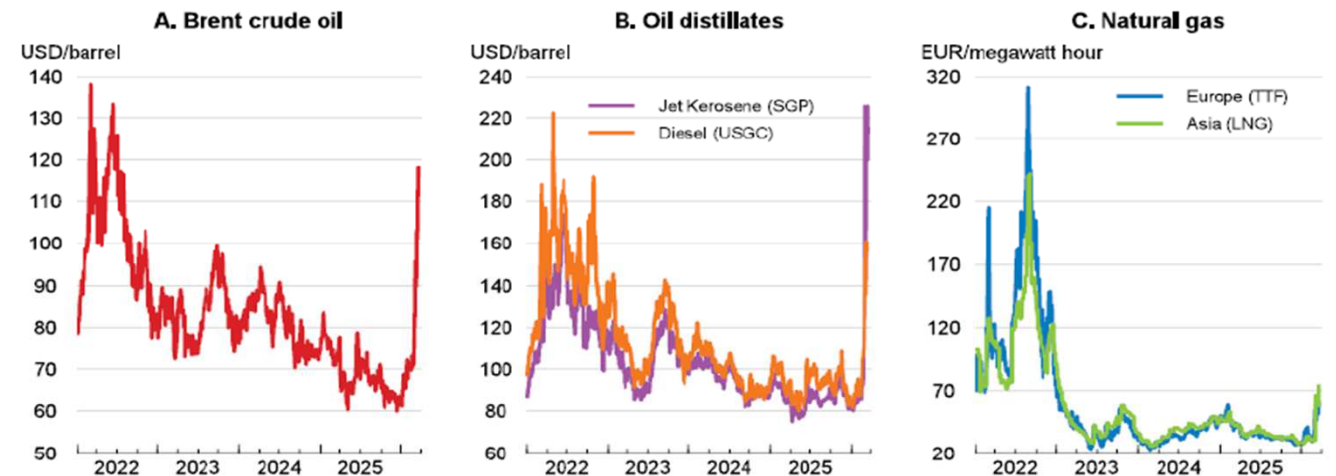
Source: UNCTAD, 2026

Source: OECD, 2026

Energy market and price volatility should also be considered within the context of the ongoing war in Ukraine, as well as the reliance of Europe on these markets.

The average share of energy costs across OECD countries was around 8.5% of the total consumption basket, but with large differences between countries.

Figure 6. Energy prices have surged



Source: BFAP

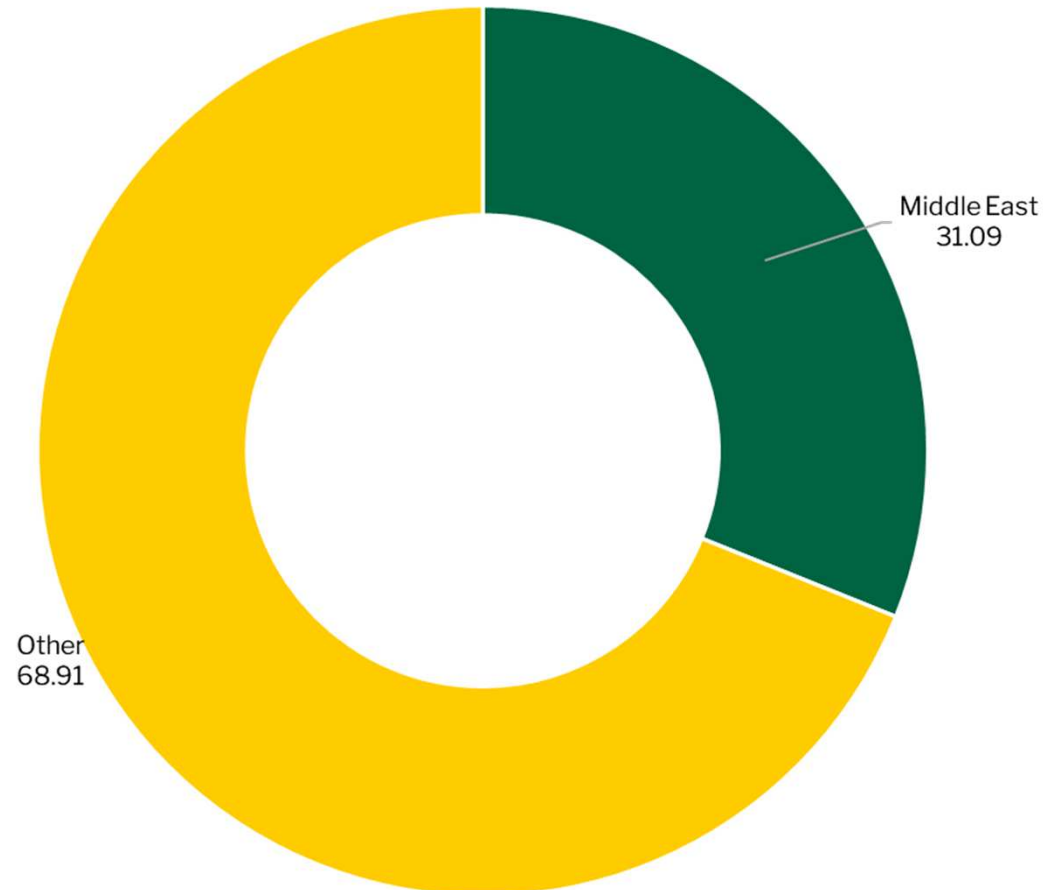
Middle East oil supply cannot be replaced easily



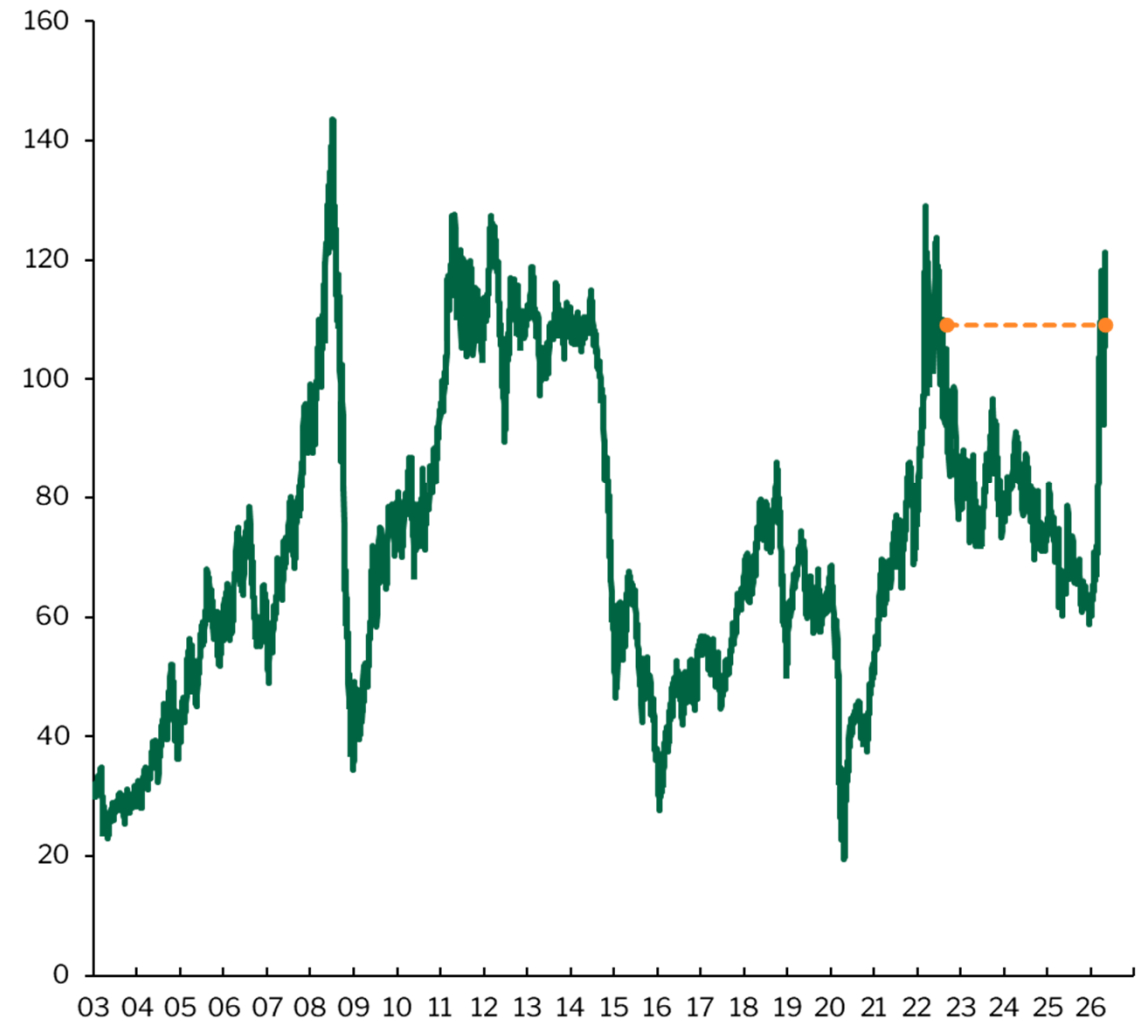
The Middle East accounts for 31% of global production

The Brent crude oil price has been above \$90 since 6 March

Share of global oil production (% of total)



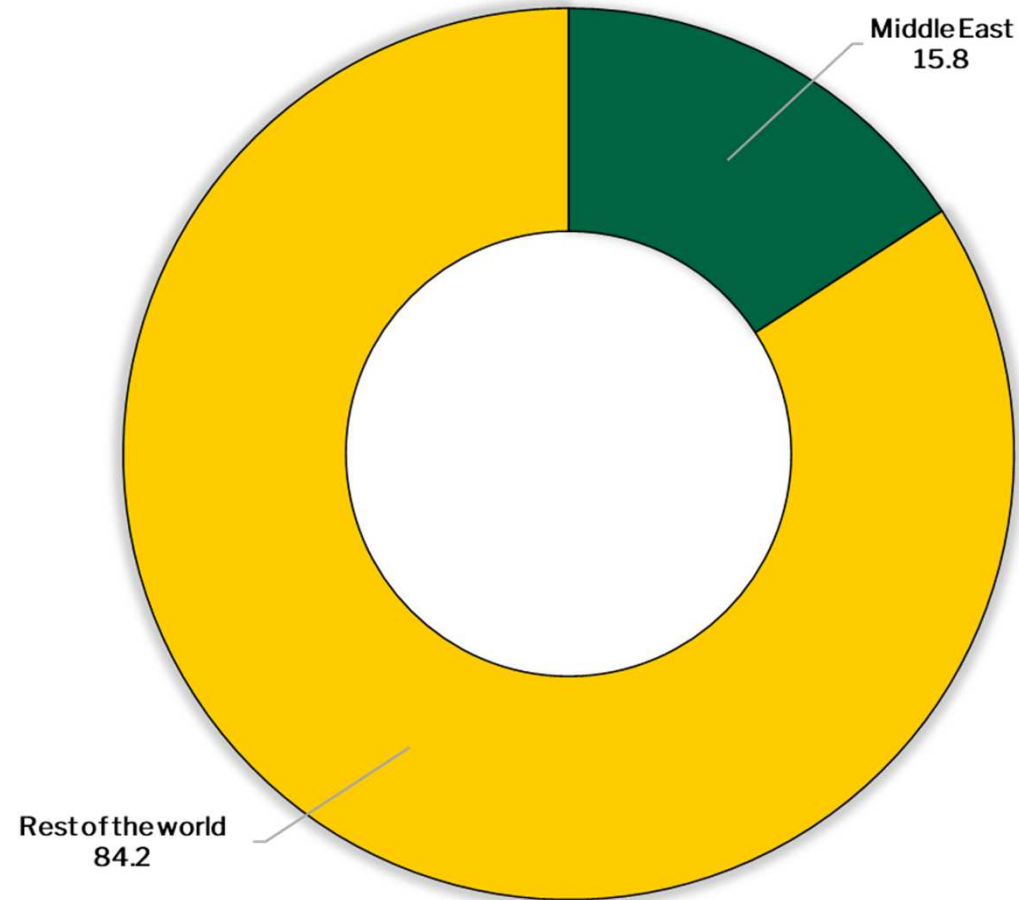
Brent crude oil price (US\$/barrel)



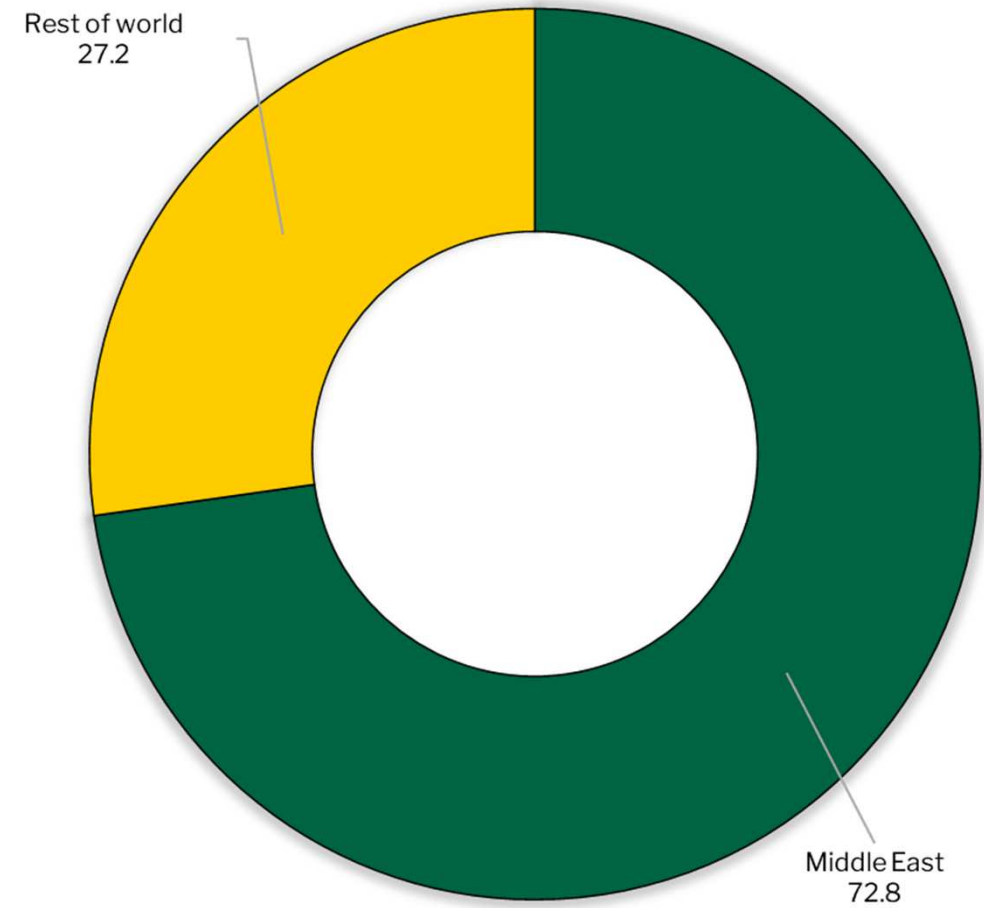
How exposed is South Africa?



Crude oil imports



Refined petroleum products



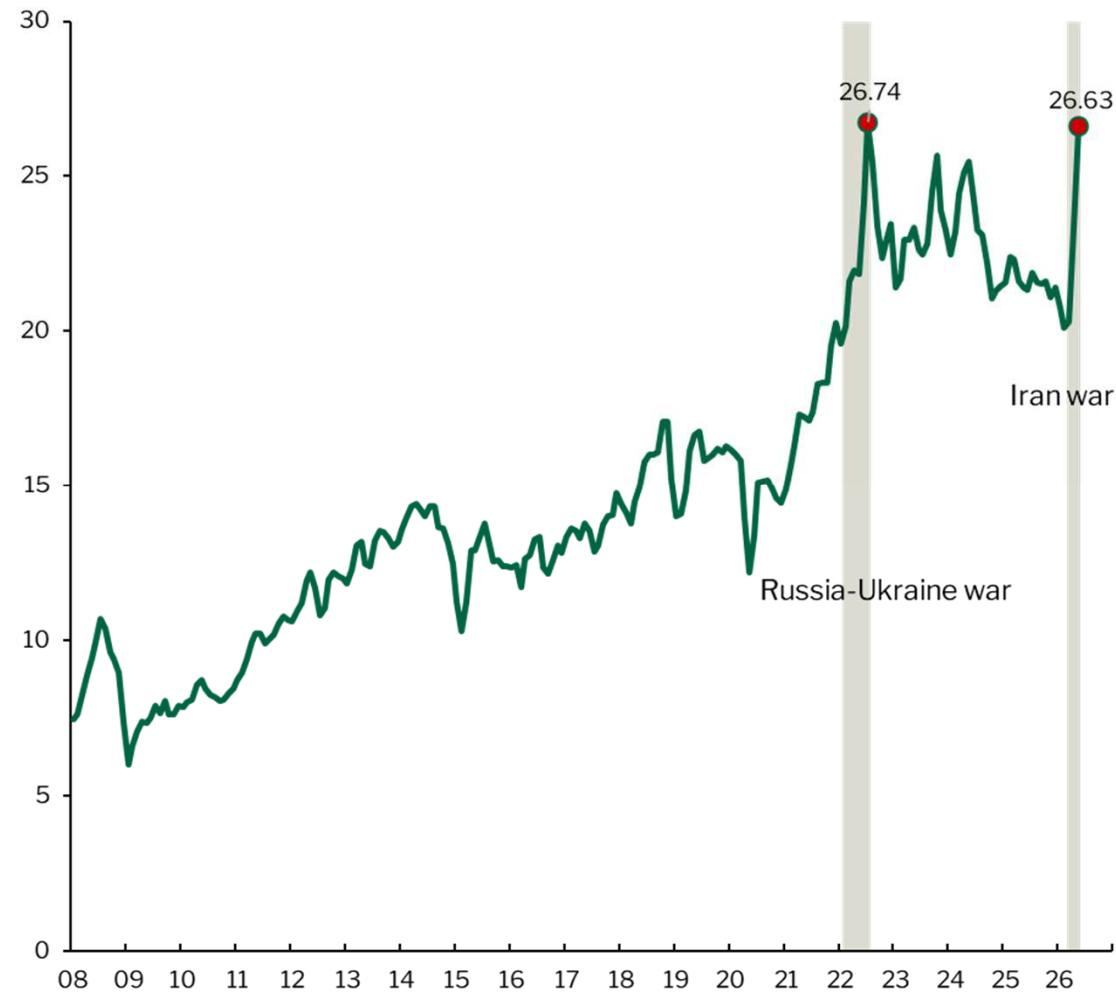
The direct effects so far: Petrol and diesel prices



Petrol prices shot up over April and May, reaching a 4-year high

The rise in diesel prices was even more dramatic, surging to a record high in May

Average petrol prices (R/l)



Gauteng diesel price (R/l)

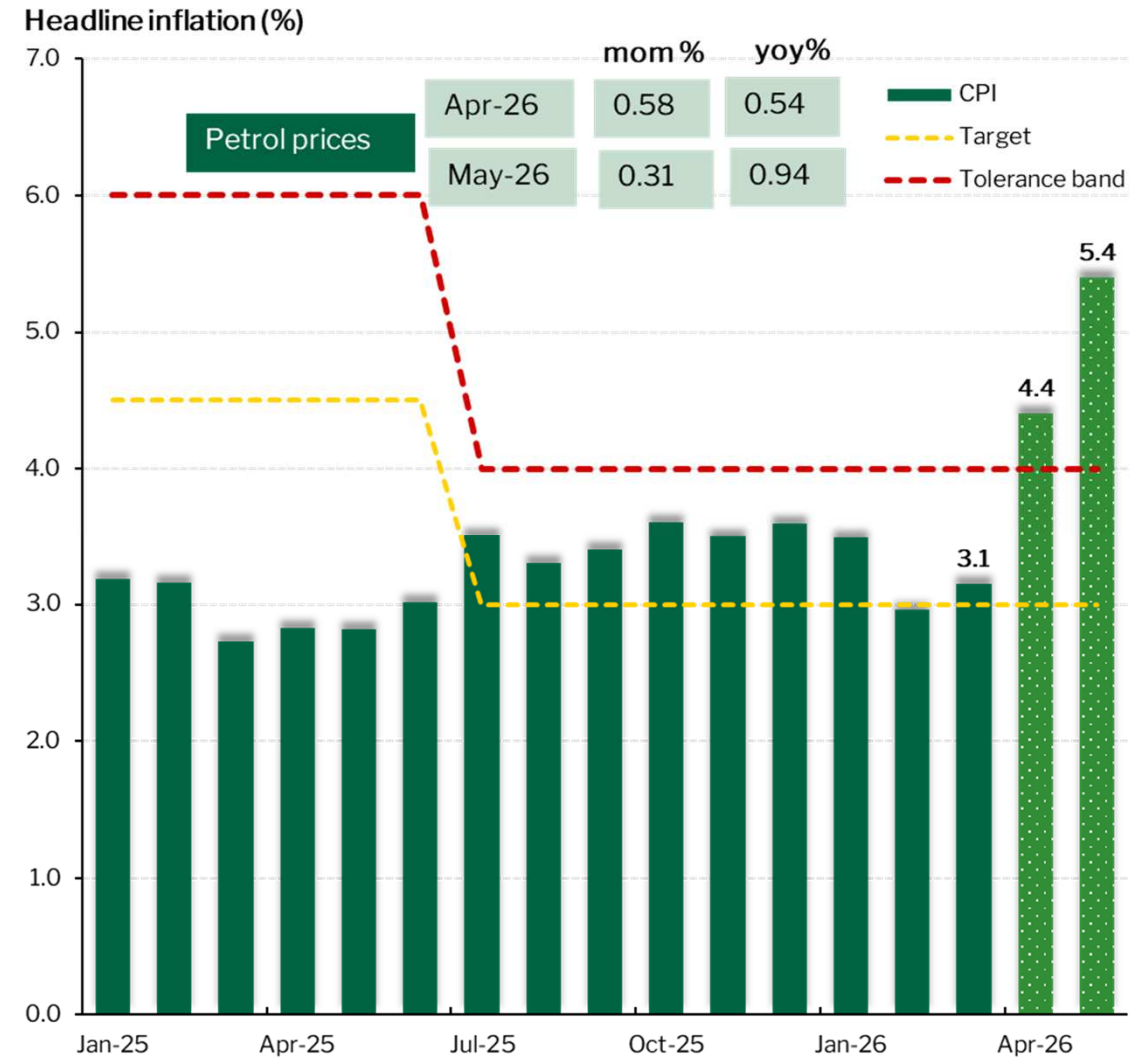
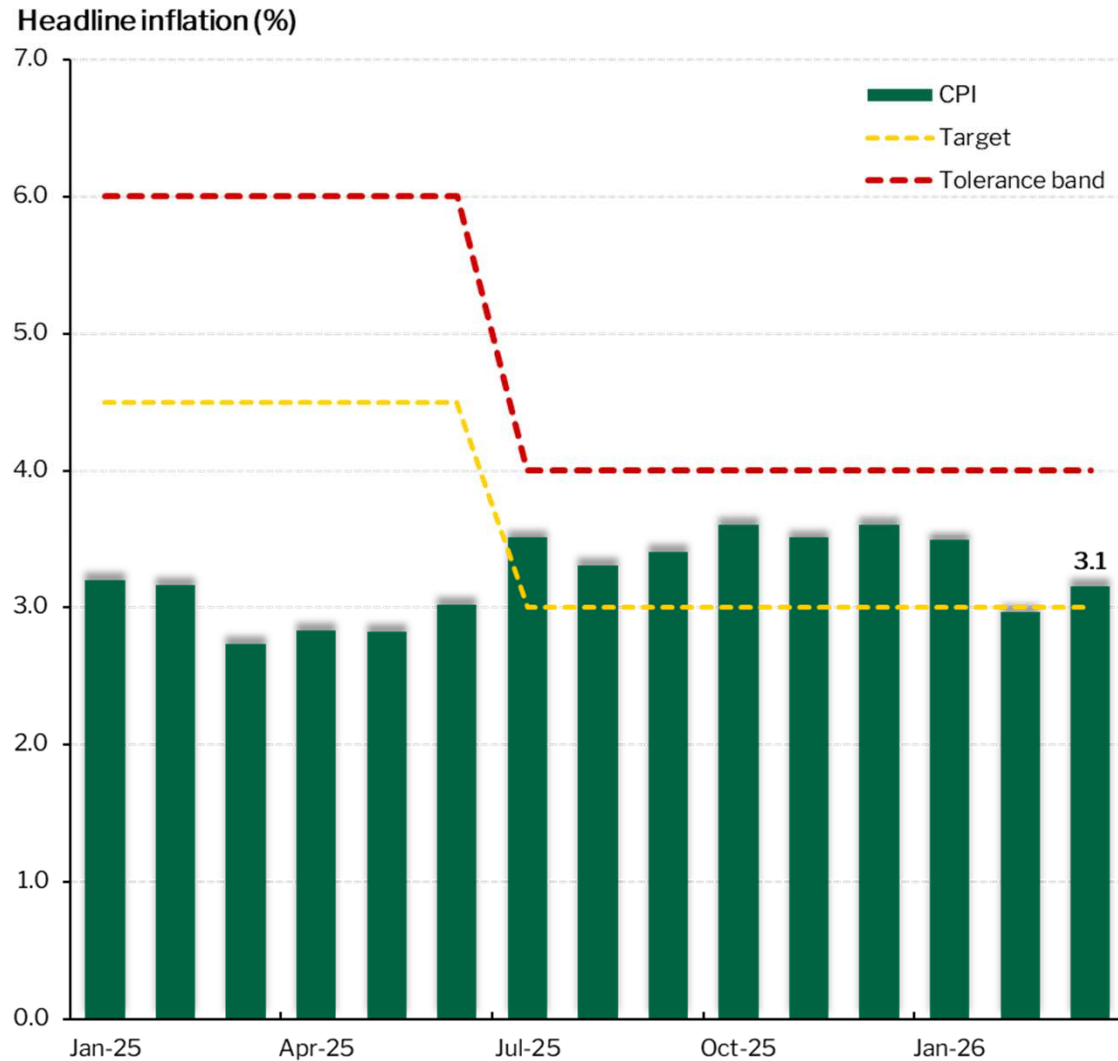


The direct effects alone look daunting



Inflation still looked tame and well contained in March...

... but the petrol price hikes of April and May change the picture





Impact on Agri

Recent performance

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Middle East conflict impacts SA Agriculture in multiple ways

Impact through multiple pathways, many of which are interconnected

Spike in oil & natural gas prices

Strait of Hormuz closure, threats to target oil & gas infrastructure

Availability issues from major exporting region – shipping & production

Increased cost of manufacture and transport

Increased shipping rates

Limited availability & massive risk surcharges to Middle East

Increased operational cost on all routes

Longer distances & time to avoid area – influencing cost on other routes



Exchange rates & inflation

Rand sensitive to high global risk environment

SA net energy imports – trade balance

Interest rate differentials, monetary policy

Rising inflation impacts on consumer spending power

SA Fuel & Fertiliser costs

Higher world prices due to increase in raw material costs (oil & gas)

Increased shipping rates

Weaker Rand

Other imported inputs also affected through shipping & exchange rate

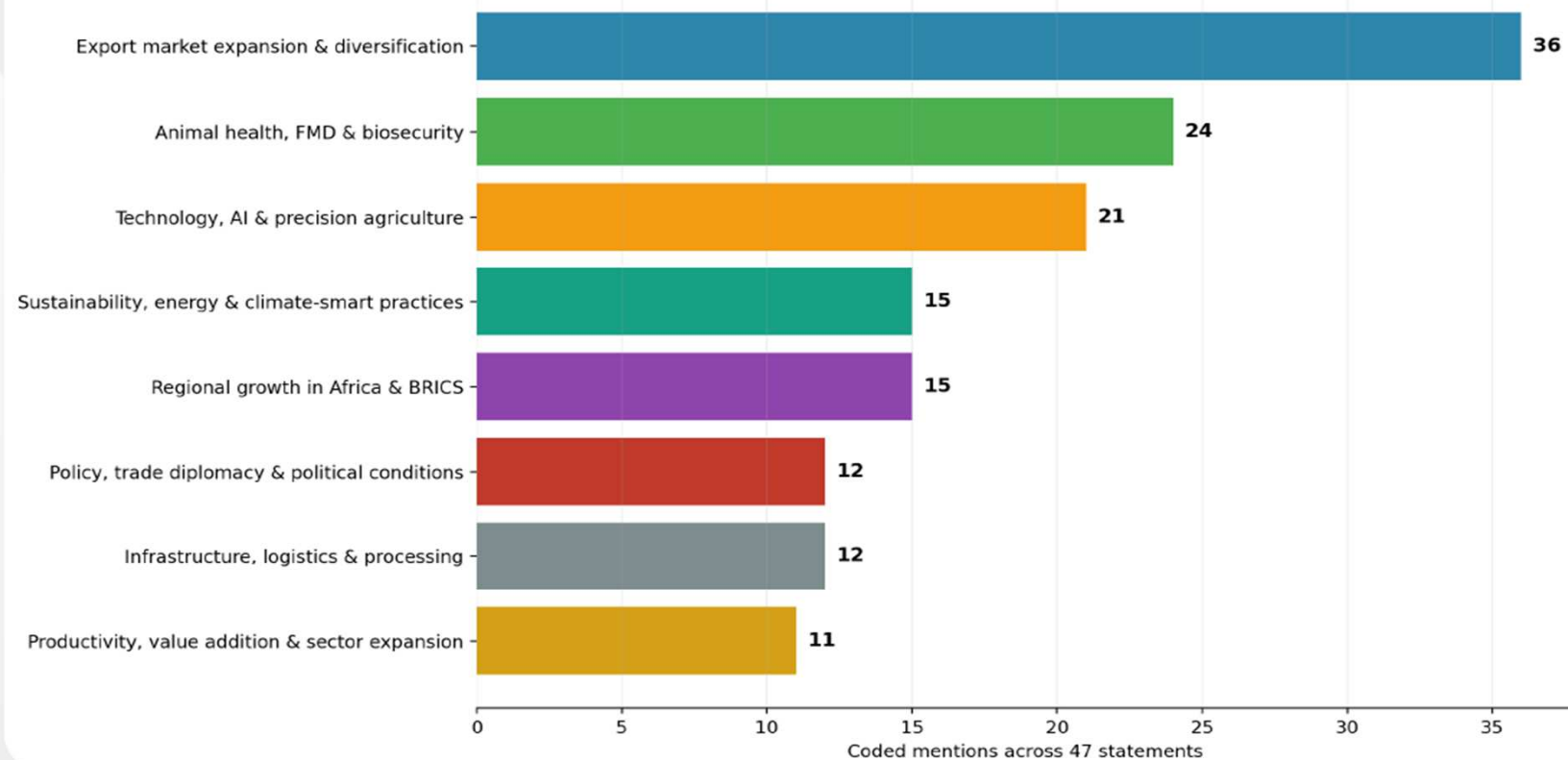
Source: BFAP



Largest Opportunities in SA Agriculture in 2026

Clustered according to BFAP individual open-ended responses

1. Ranked opportunity themes



Market-facing growth

- "protect and expand high value export markets"
- "finding alternative markets (to the US)"
- "Expansion of African Markets"

Production resilience

- "FMD vaccine rollout"
- "Solving animal disease challenges"
- "environmental conscious food value chain"

System enablers

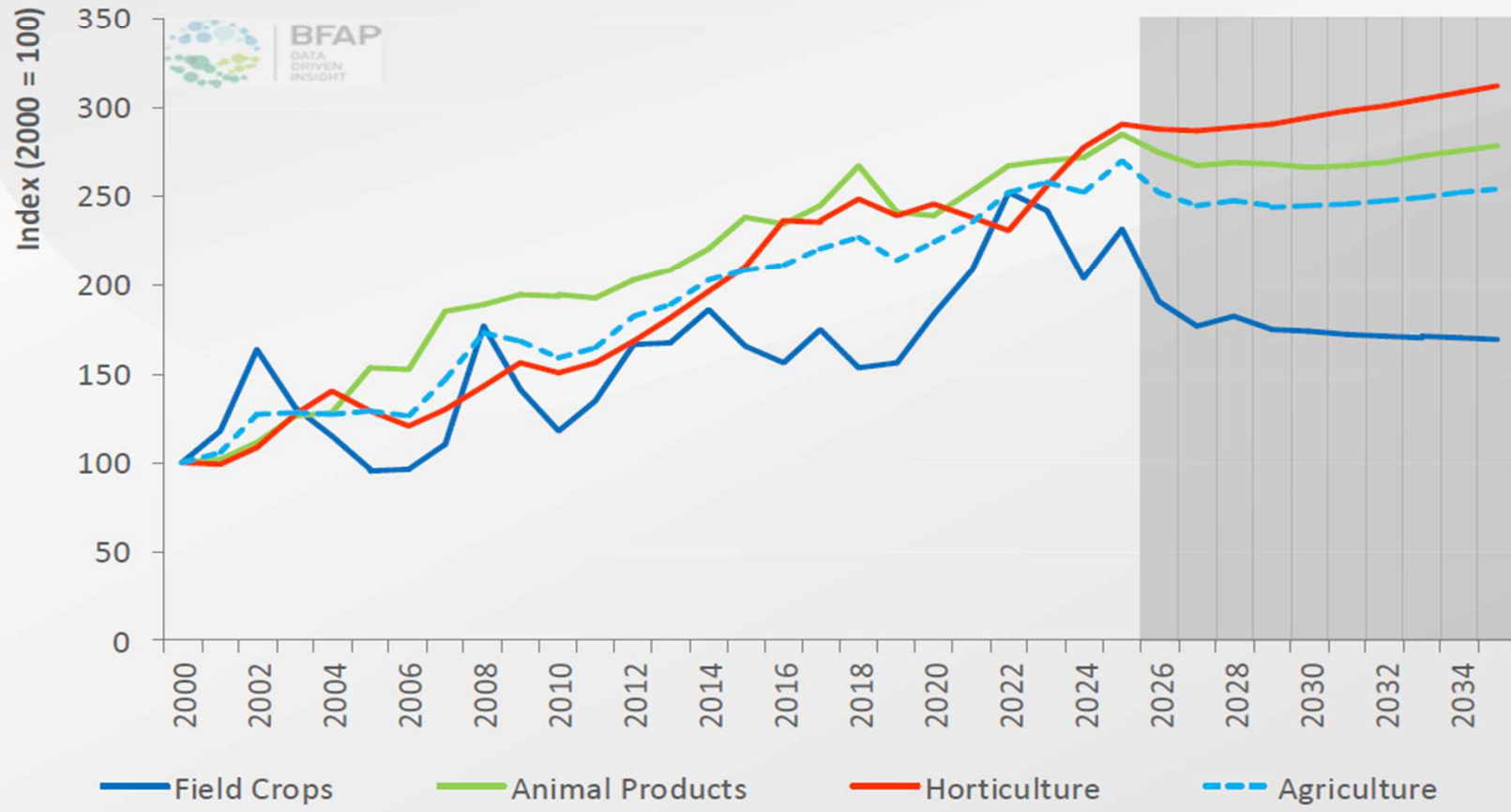
- "Precision Ag"
- "AI automations in lengthy paper driven Government processes"
- "Infrastructure development"



Source: BFAP

Revenue growth is expected to slow in medium term

Field crops is the primary driver but many sectors likely to decline



Revenue to decline due to lower prices in 2026 – immense margin pressure from sharp increases in input costs amid ongoing output price pressure



Improved profitability with reduced feed costs, but FMD remains a major challenge and ASF has also impacted multiple pork farms



Volumes continue to rise, but shipping rates spiralling due to war. Price pressure exacerbated by limited access and high costs to Middle East markets with limited absorption capacity elsewhere



Source: BFAP



Where to onwards

Recent performance

see money differently

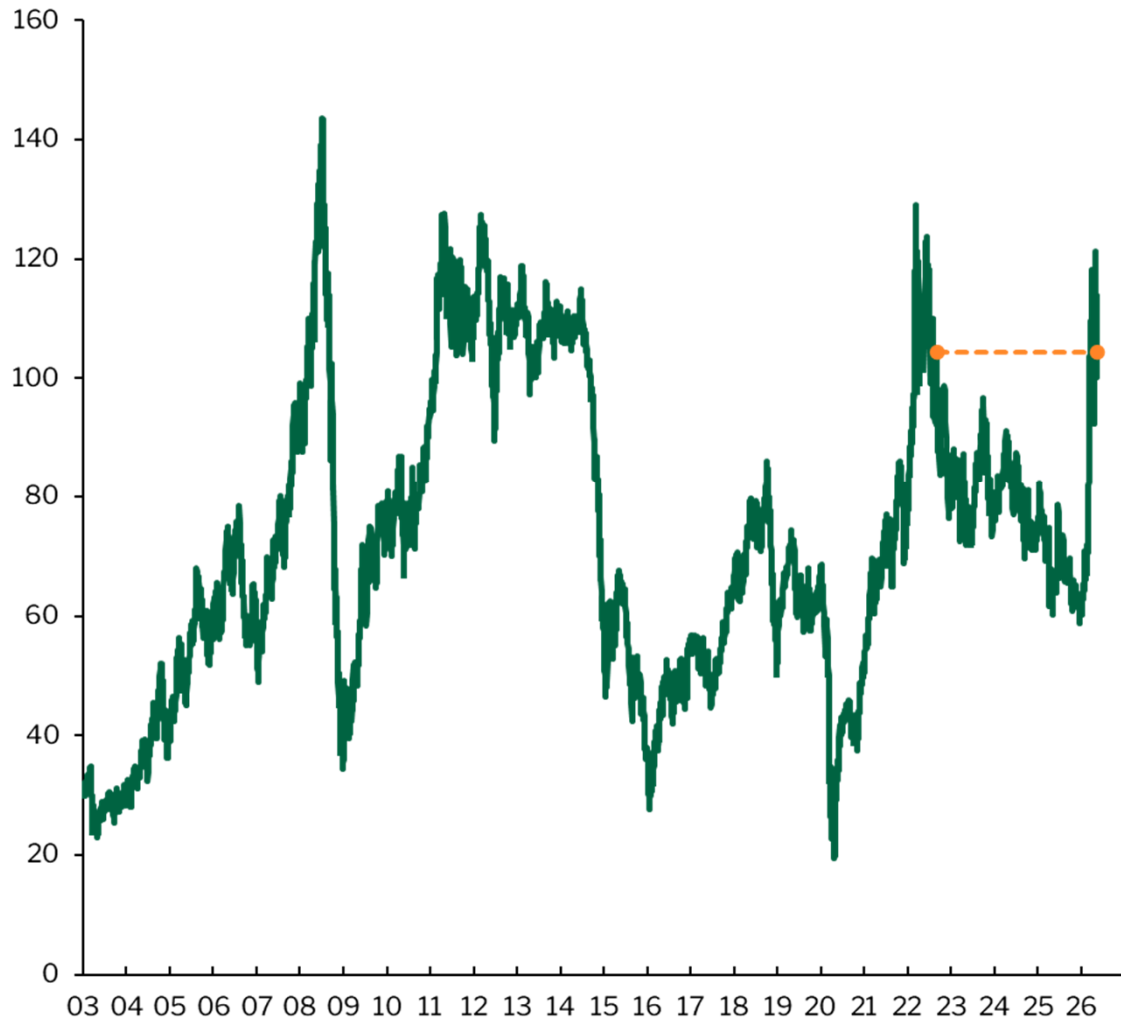
Where to onwards?



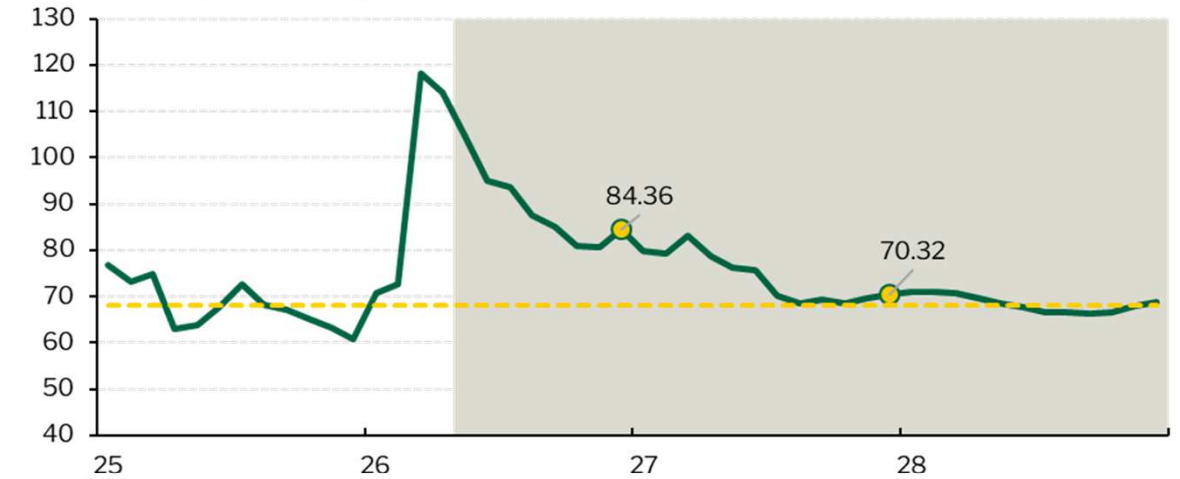
It depends on when the war ends & strait reopens...
Global oil prices remain above \$100 per barrel

Even if war ends today, oil supplies will remain tight.
Our base assumption: the stalemate continues and ends around July, but oil prices only recede slowly

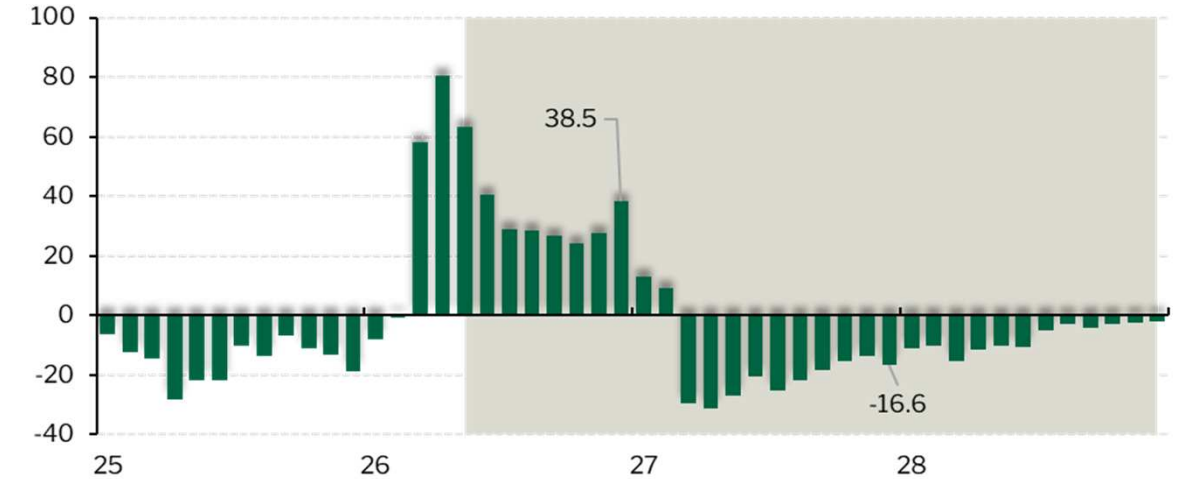
Brent crude oil price (US\$/barrel)



Brent crude (\$ per barrel)



yoy %



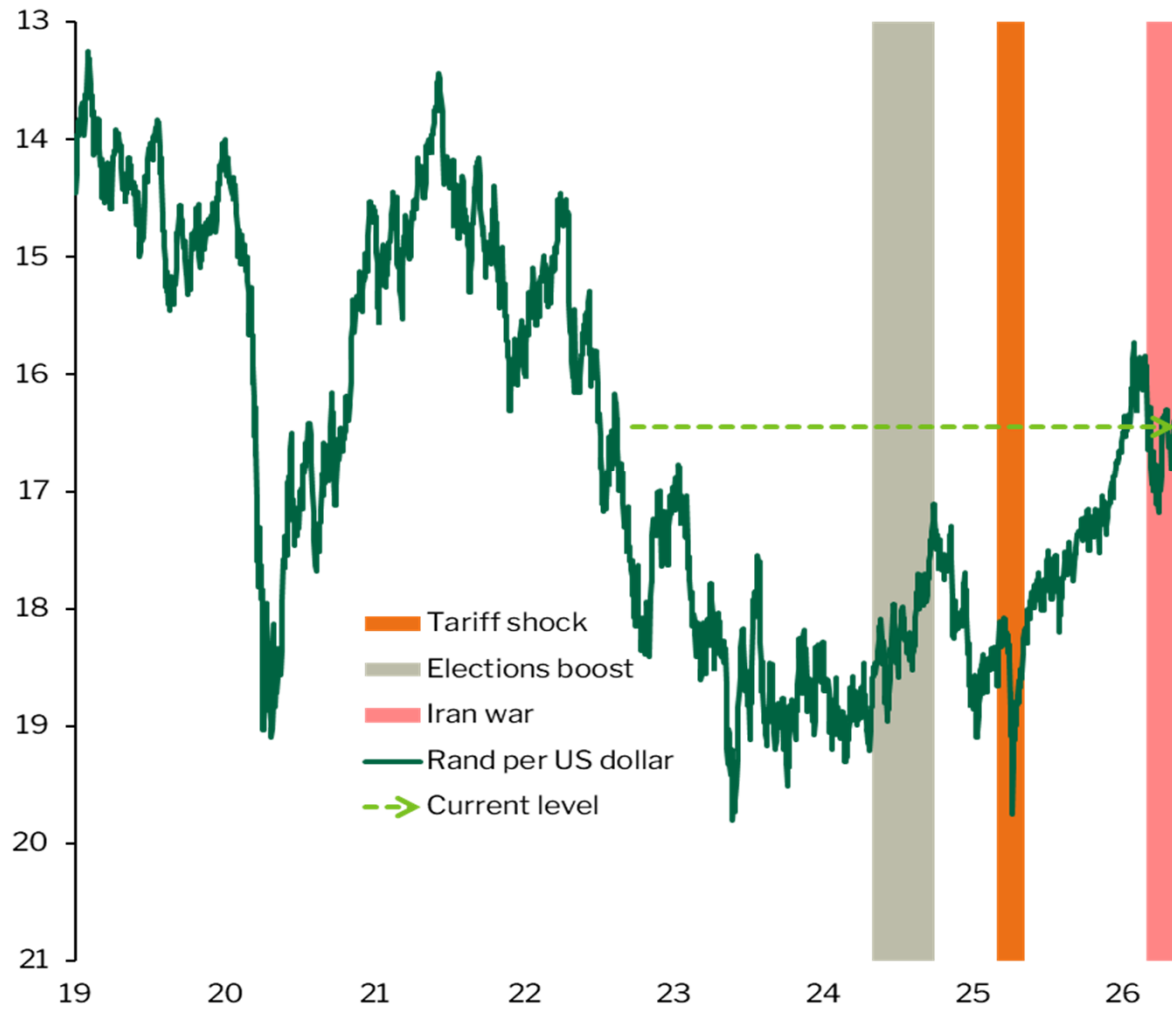


A resilient rand is providing some counterweight

Even though the rand weakened since the war started, it remains much stronger than last year

The rand owes much of its resilience to the dollar's modest **recovery** since the war began.

Rand per US dollar (reverse scale)

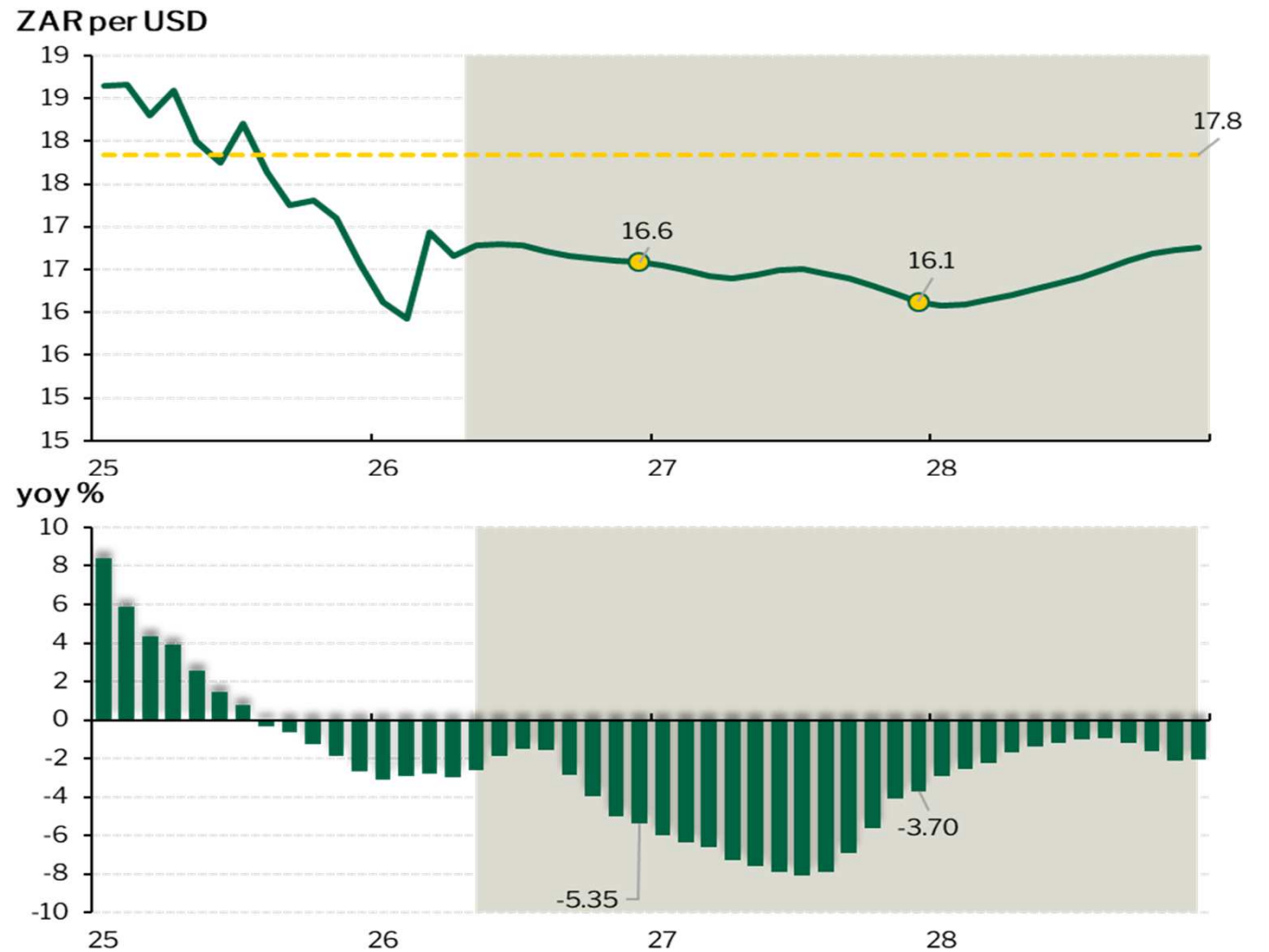


A resilient rand is providing some counterweight



Improved fundamentals and a falling sovereign risk premium partly shielded the rand, but renewed political instability could easily reverse these gains.

We remain upbeat by the rand's prospects
Our base forecast: The rand drifts sideways for much 2026, but remains stronger than last year.

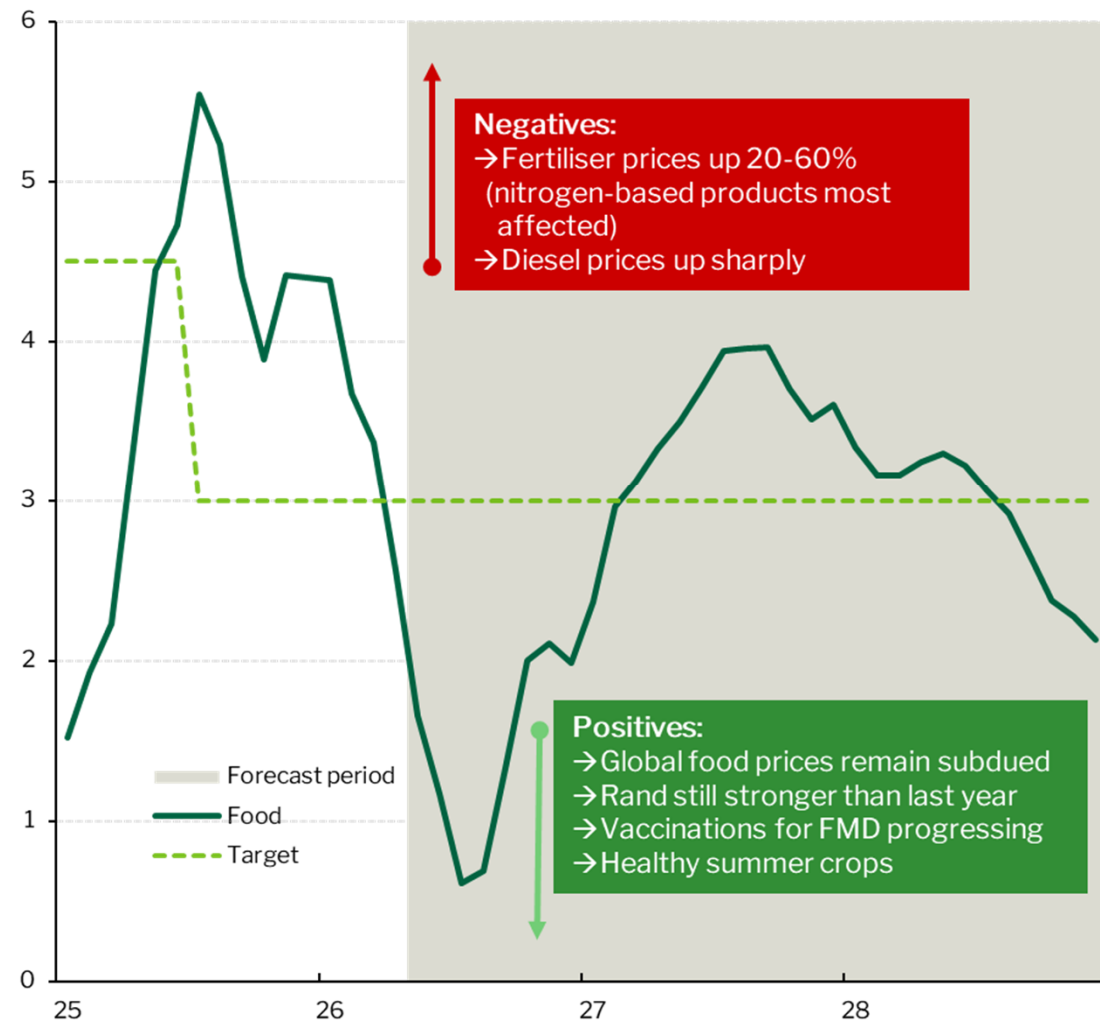


What about the indirect effects?



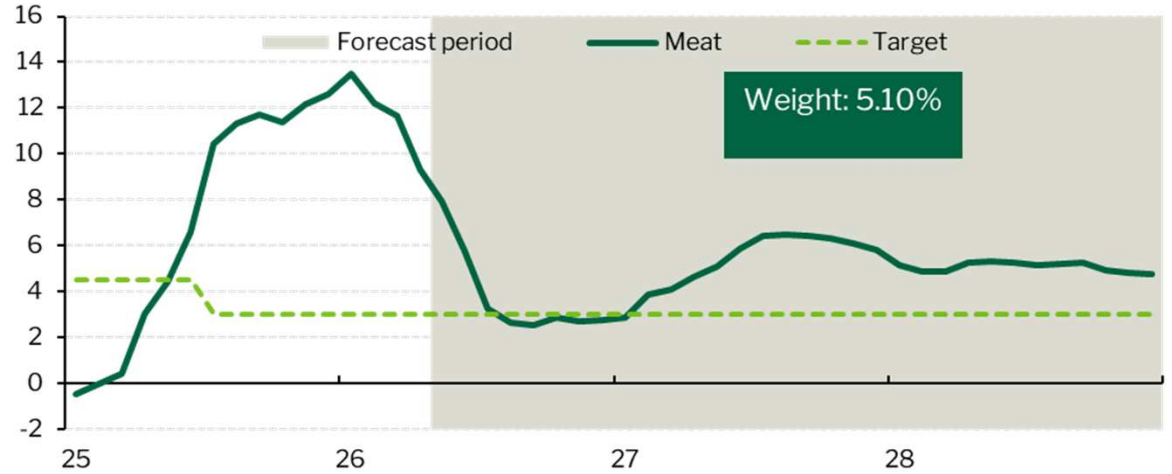
Higher diesel and fertiliser prices will probably impact food inflation with a considerable lag

Food inflation (%)

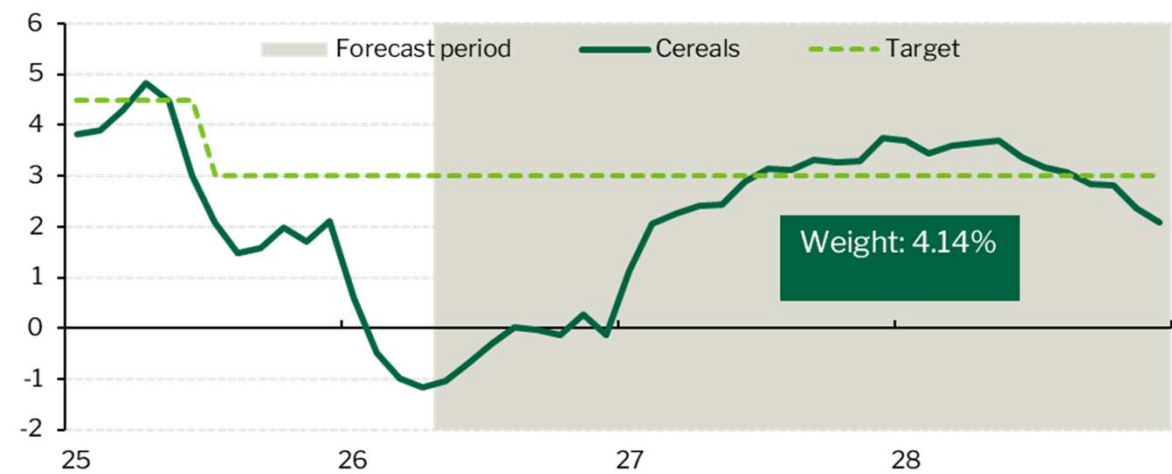


The combo of meat prices normalising from foot-and-mouth disease (FMD) and maize prices contained by healthy supplies should keep food inflation in check

Meat price inflation (%)



Cereals price inflation (%)

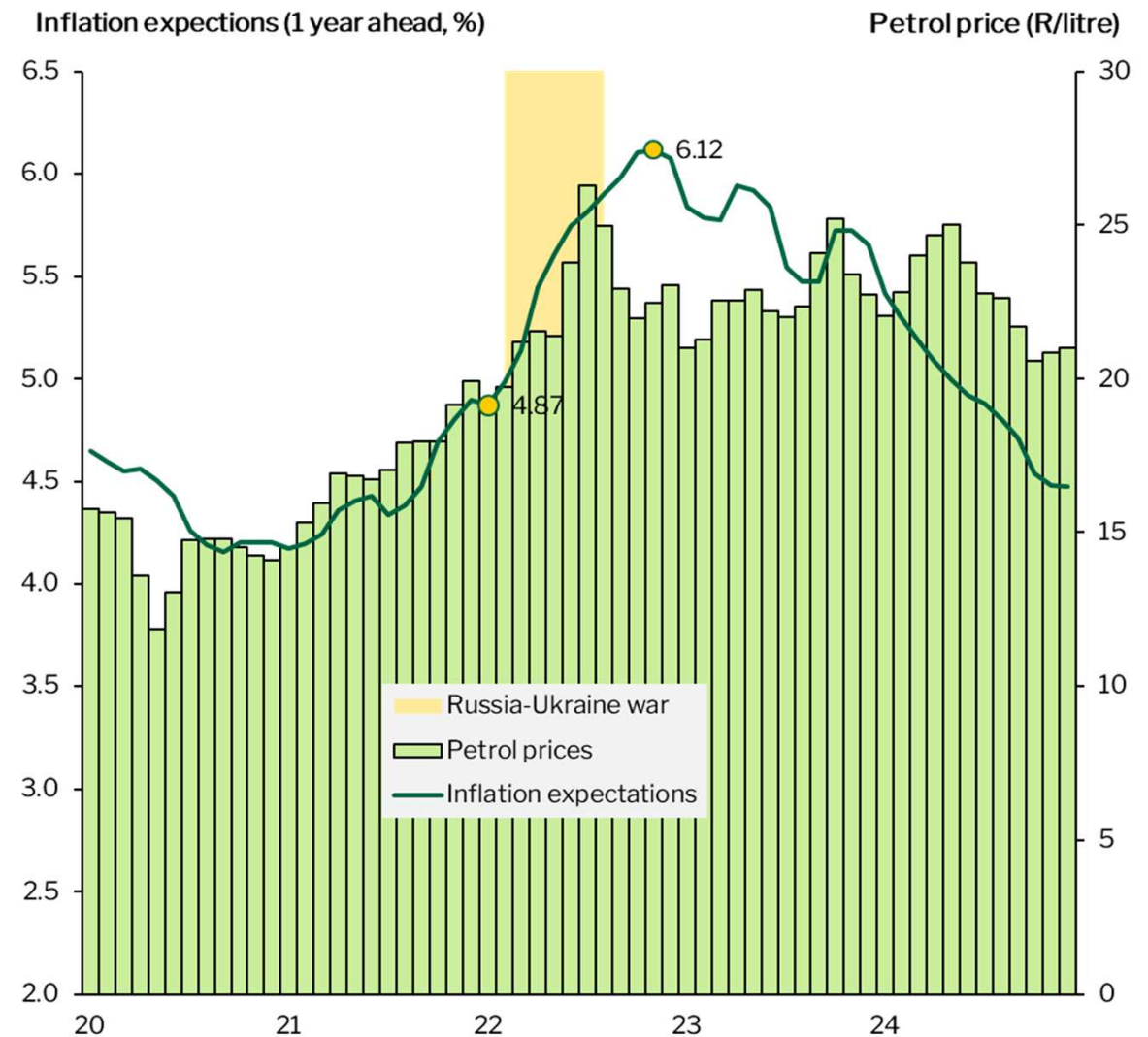
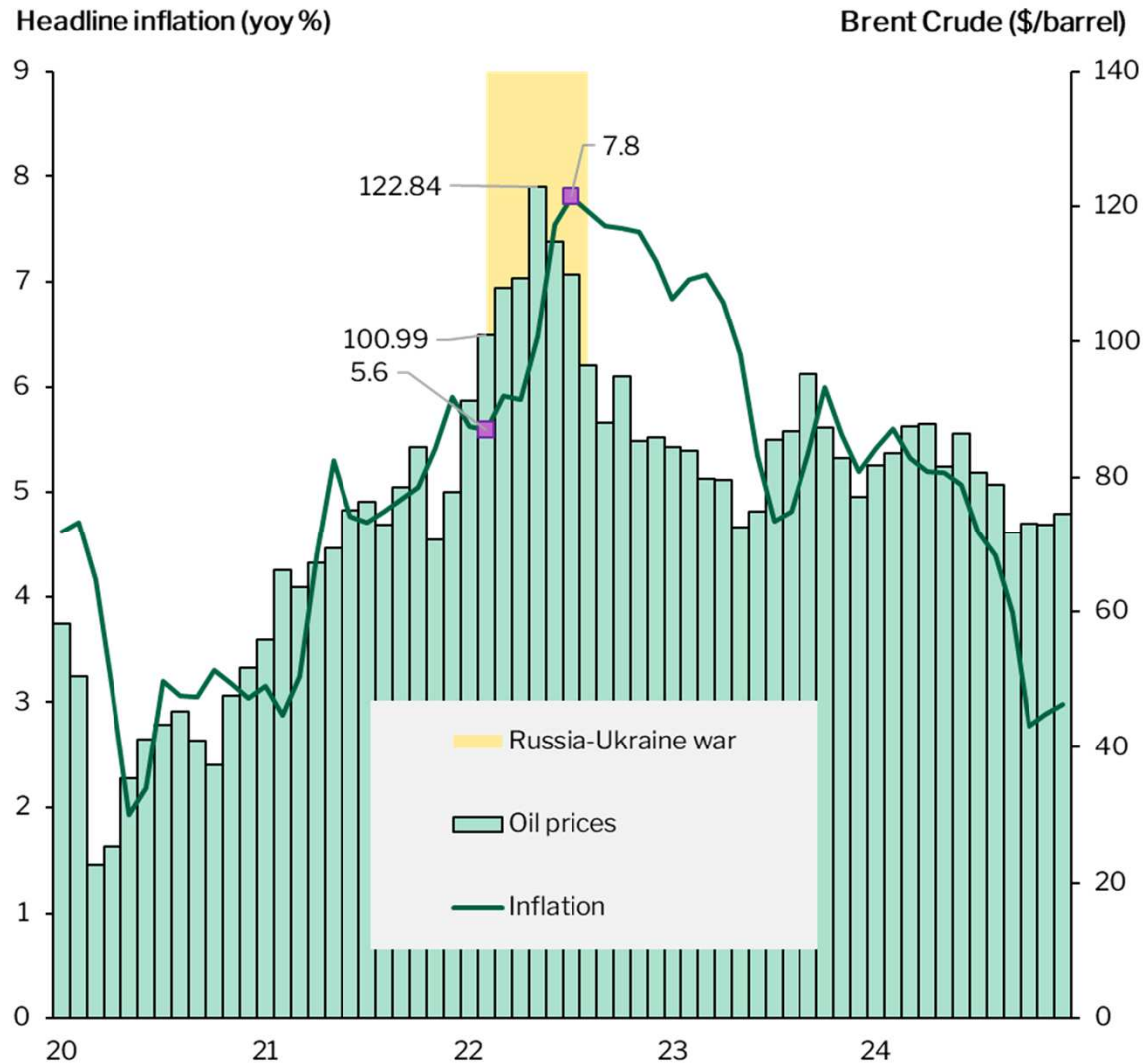


What about second-round effects – the most toxic driver of inflation?



In 2022, surging oil prices caused by the Russia-Ukraine war added 2.2 ppts to inflation

Rising petrol prices quickly drove inflation expectations up. Expectations only peaked 3 months after petrol prices stated falling.

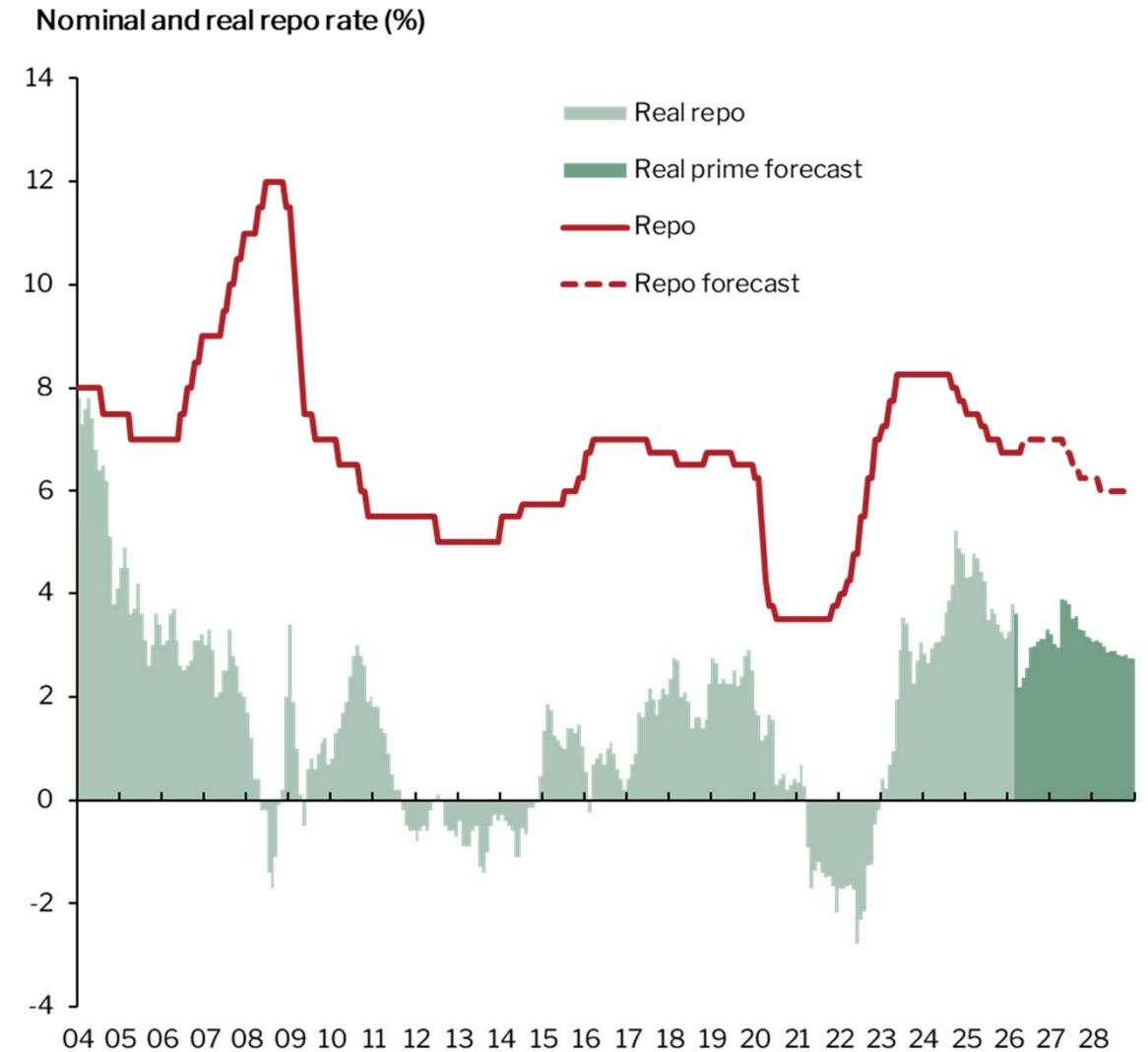
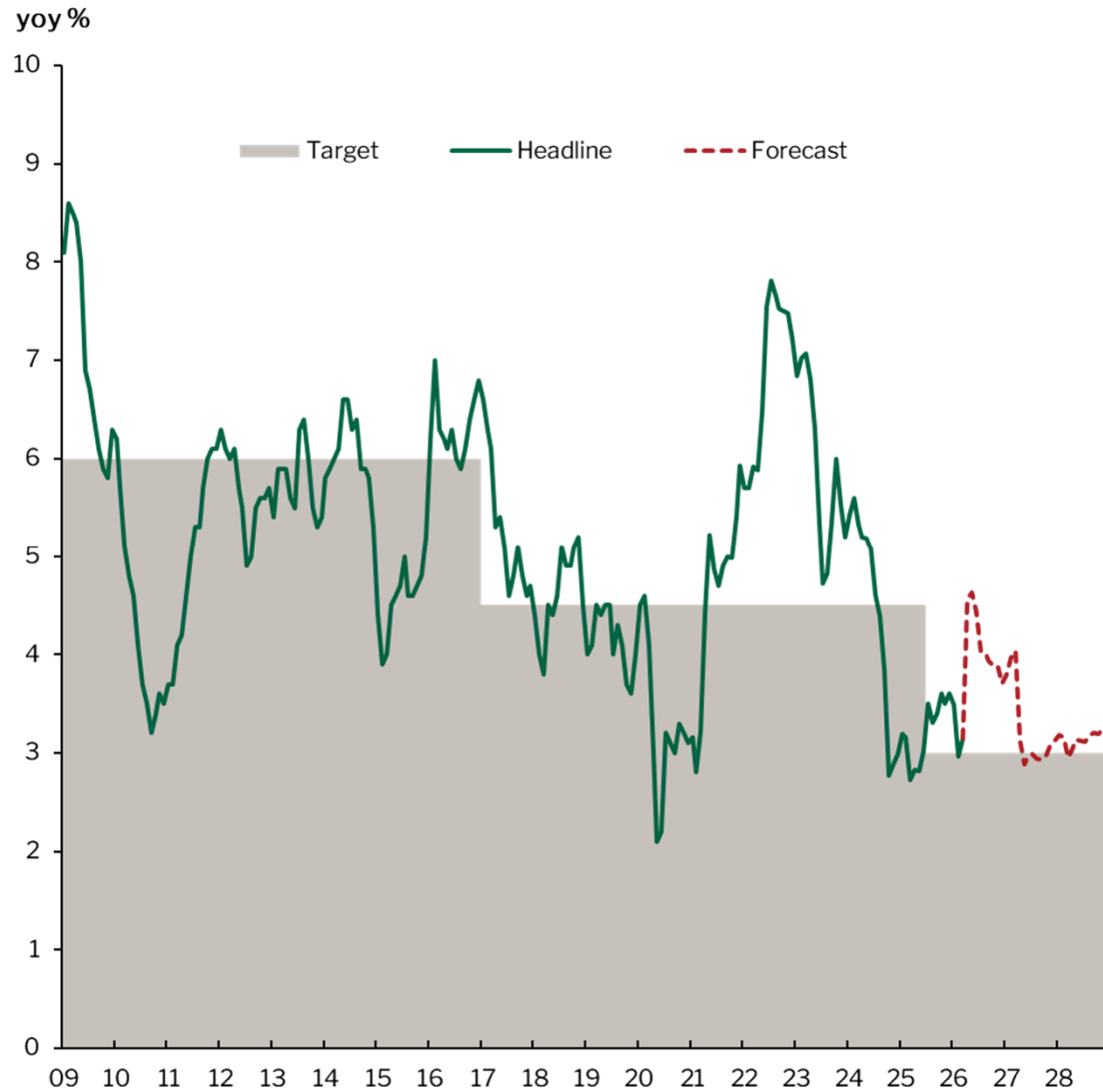


Inflation will breach the 4% tolerance limit, complicating monetary policy decisions



We expect inflation to rise to a peak of 5.4% in May/June, and average 4.3% in 2026

This leaves the SARB with only difficult choices – the risks to outlook now seem too high to leave rates unchanged

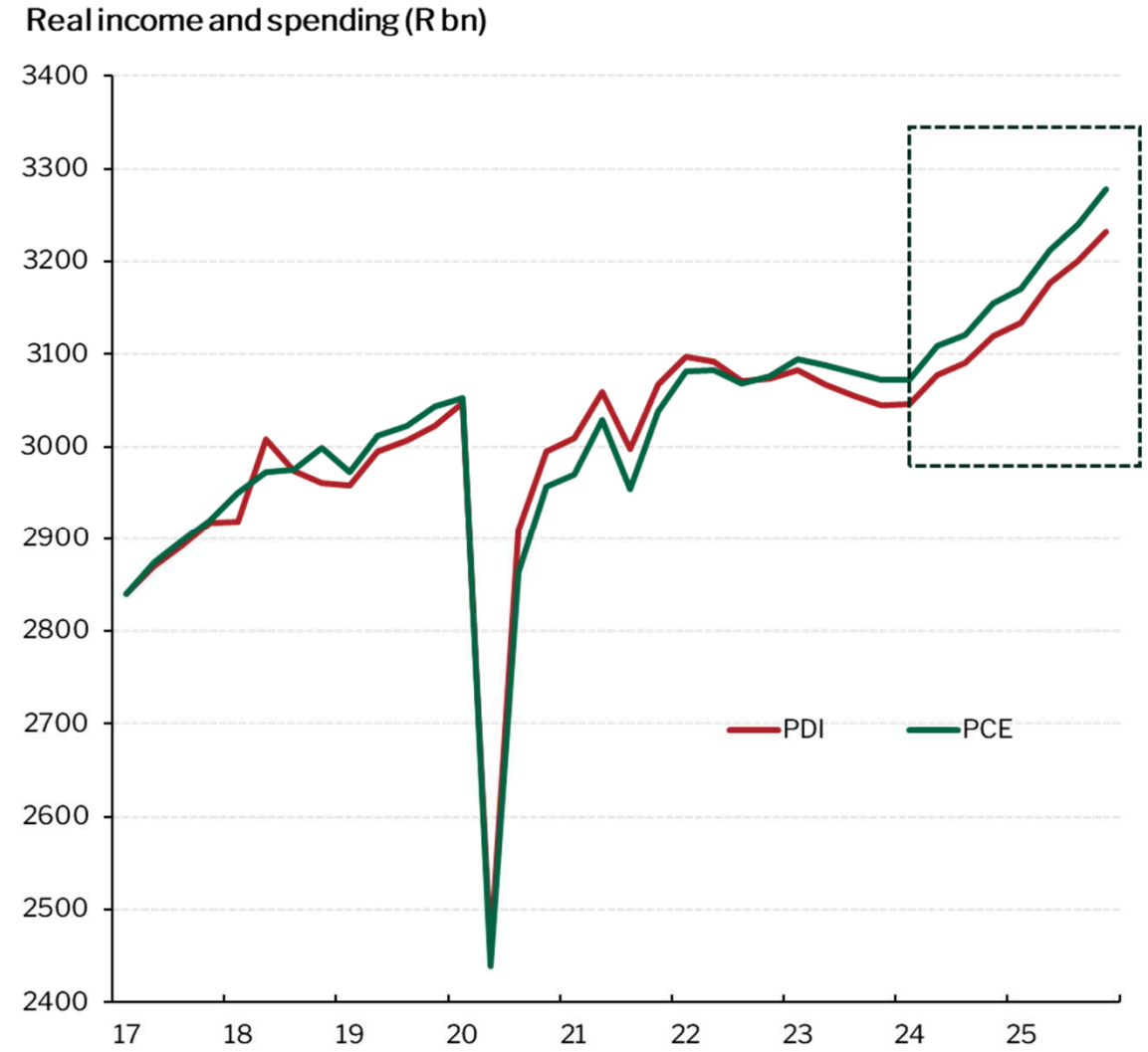
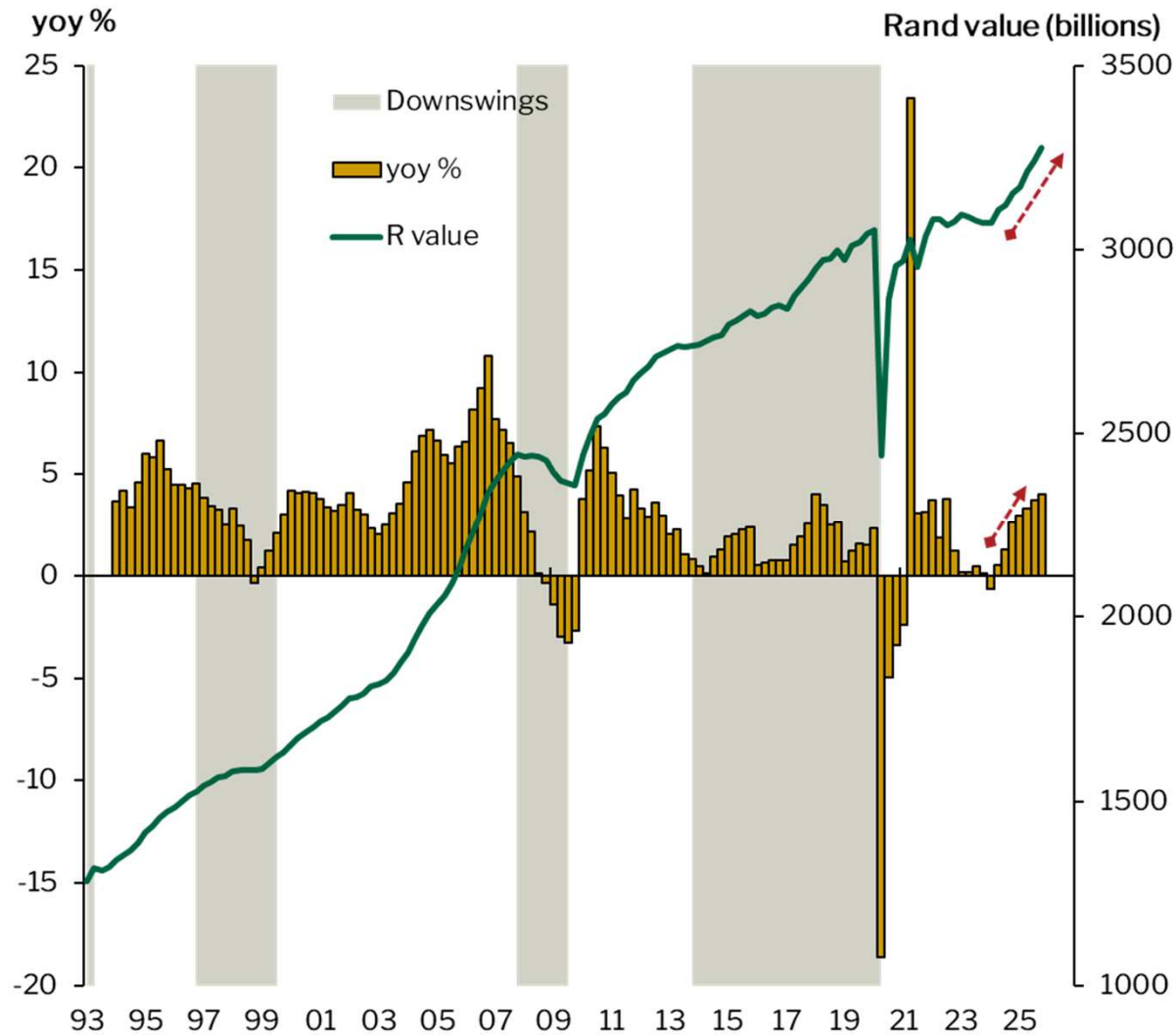


The impact on GDP: The consumer effects



Resurgent consumer spending carried the economy in 2025

Much of the boost came from rising real disposable income

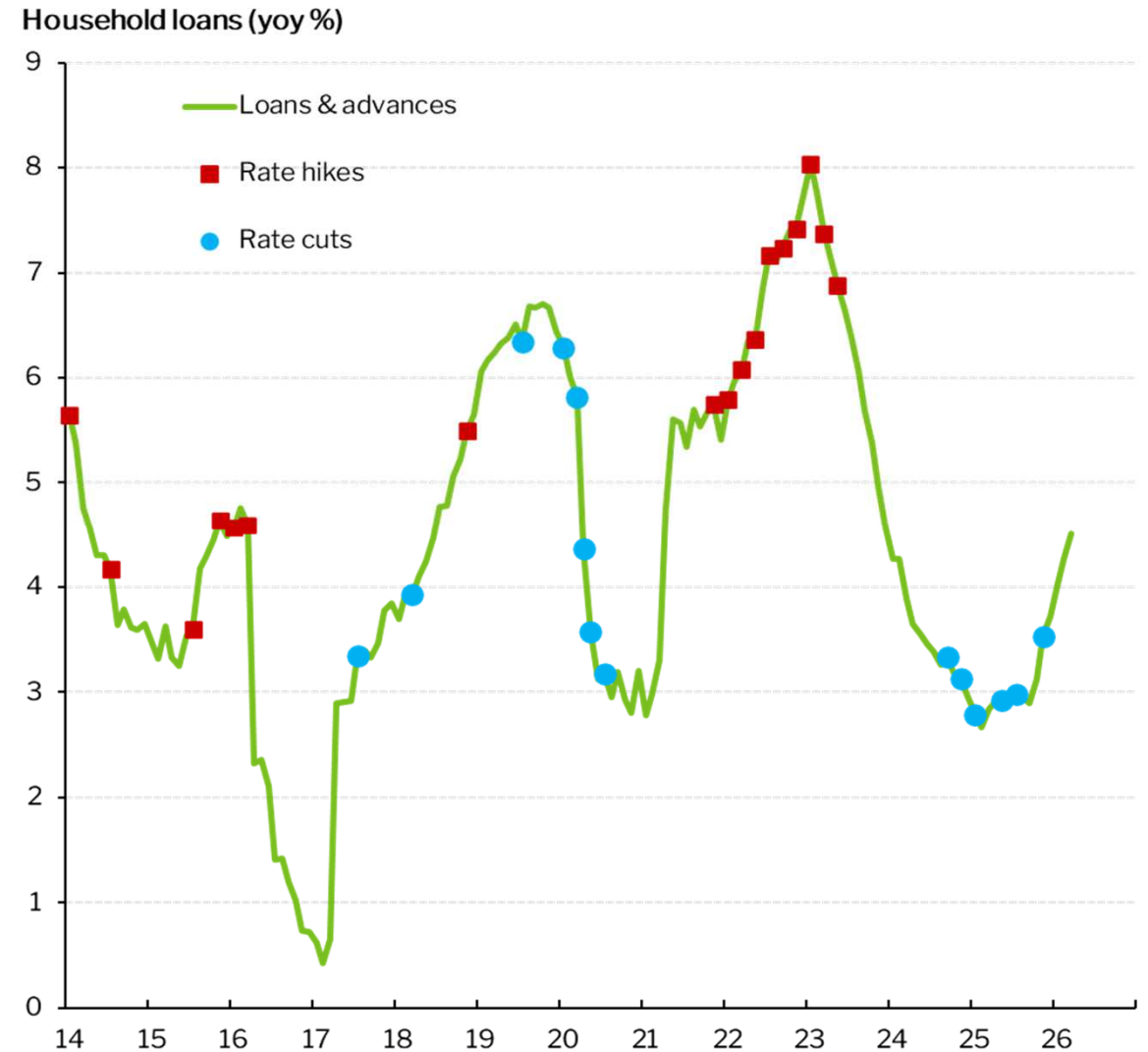
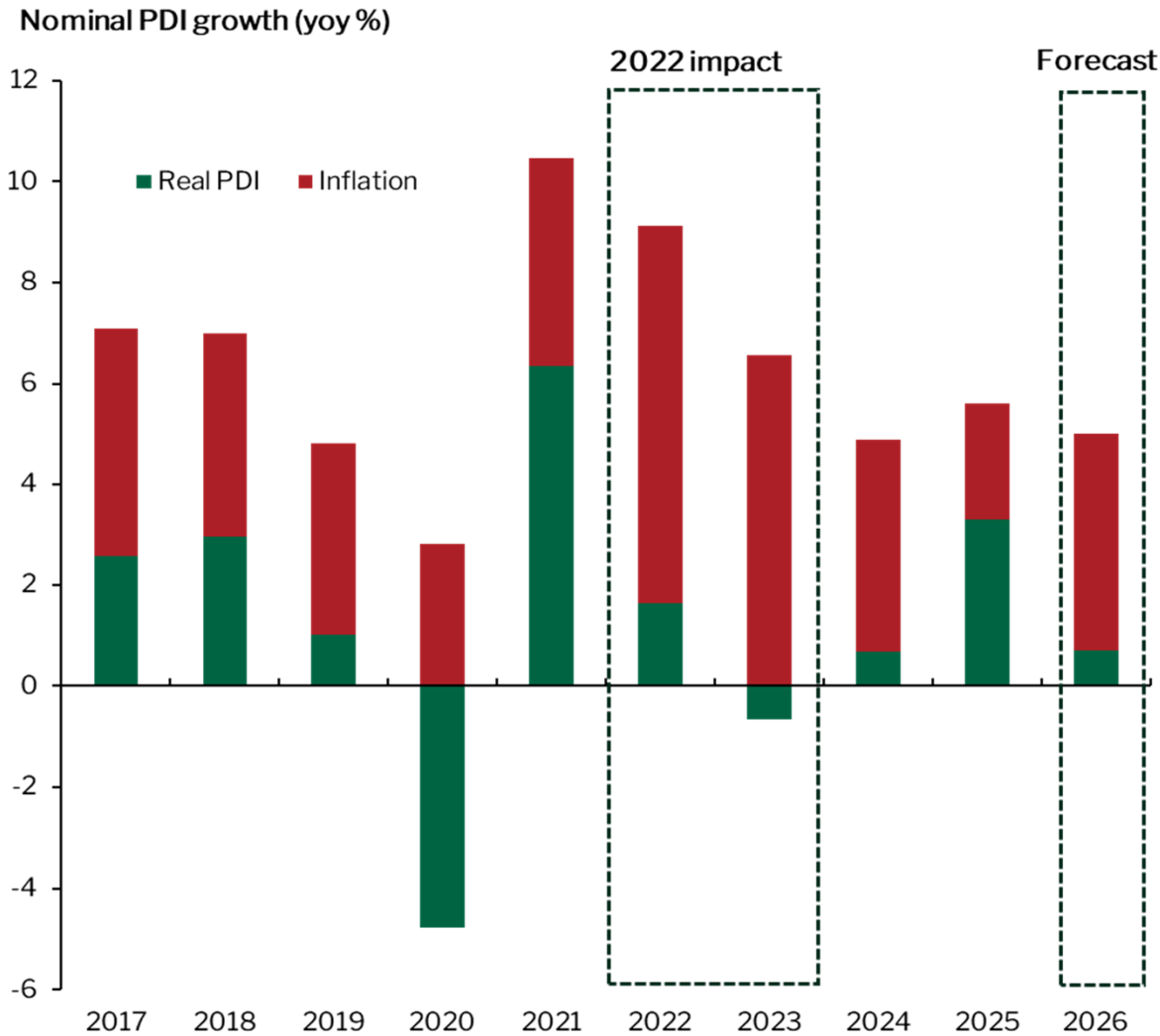


If war drags on, the pressure will built



Rising inflation erodes disposable income and purchasing power quickly

Consumers have more discretionary funds due to lower debt servicing costs. And, rising interest rates take a long time to subdue household credit demand

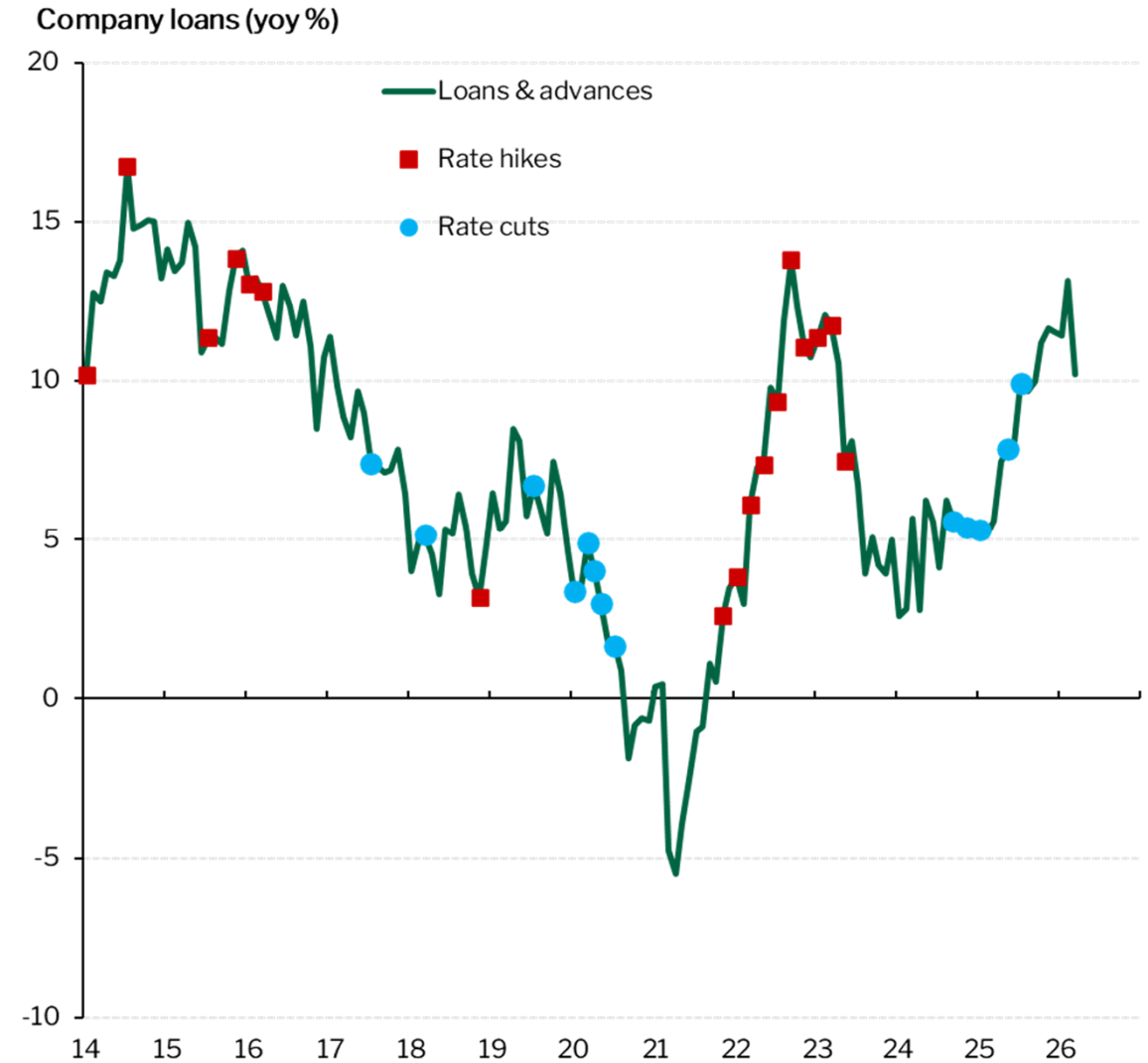
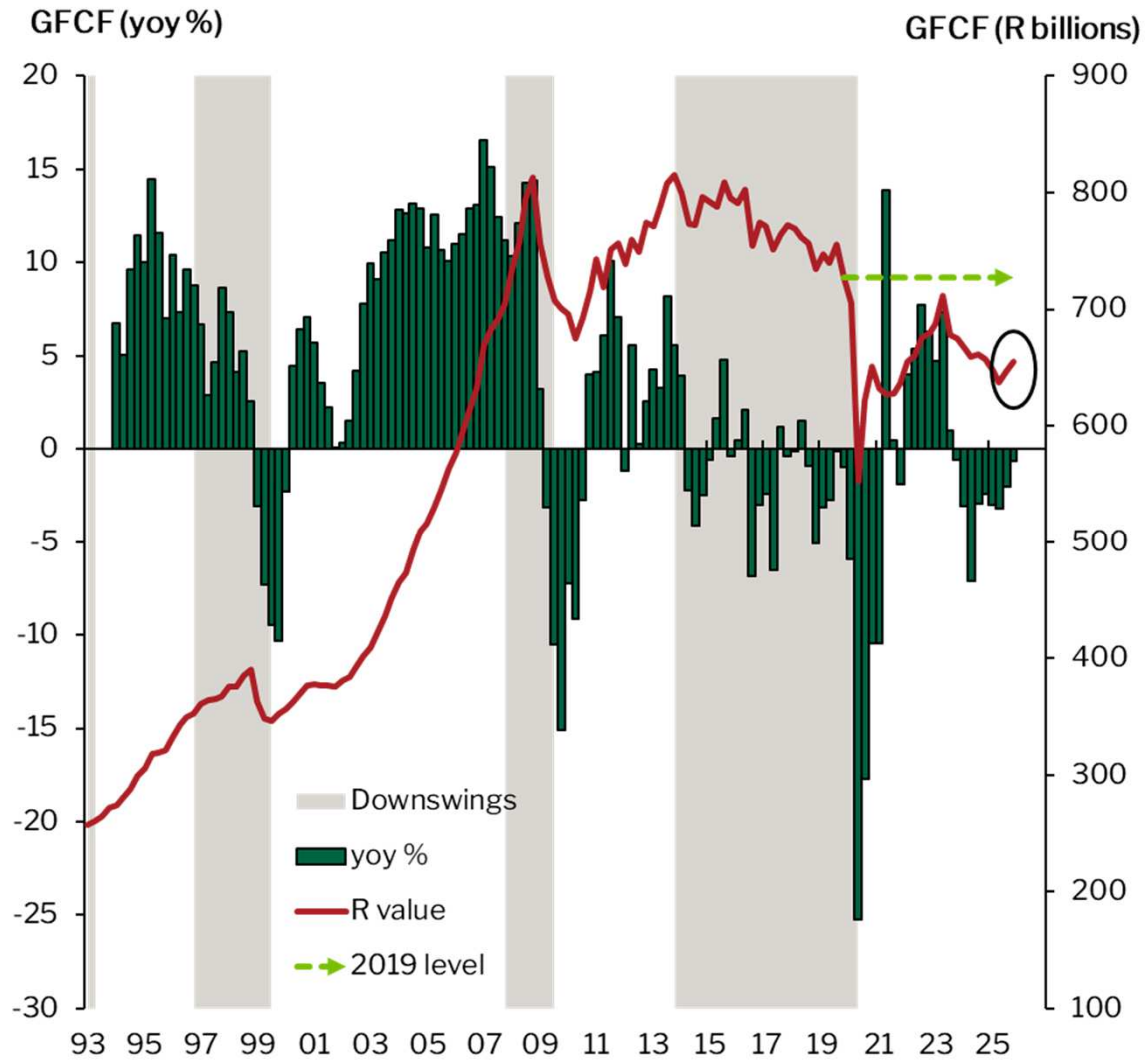


Fixed investment is also vulnerable to worsening global and local prospects



Fixed investment started showing signs of recovery in H2 2025

Company loan growth has less to do with rate cuts than the underlying economic environment and risk perceptions

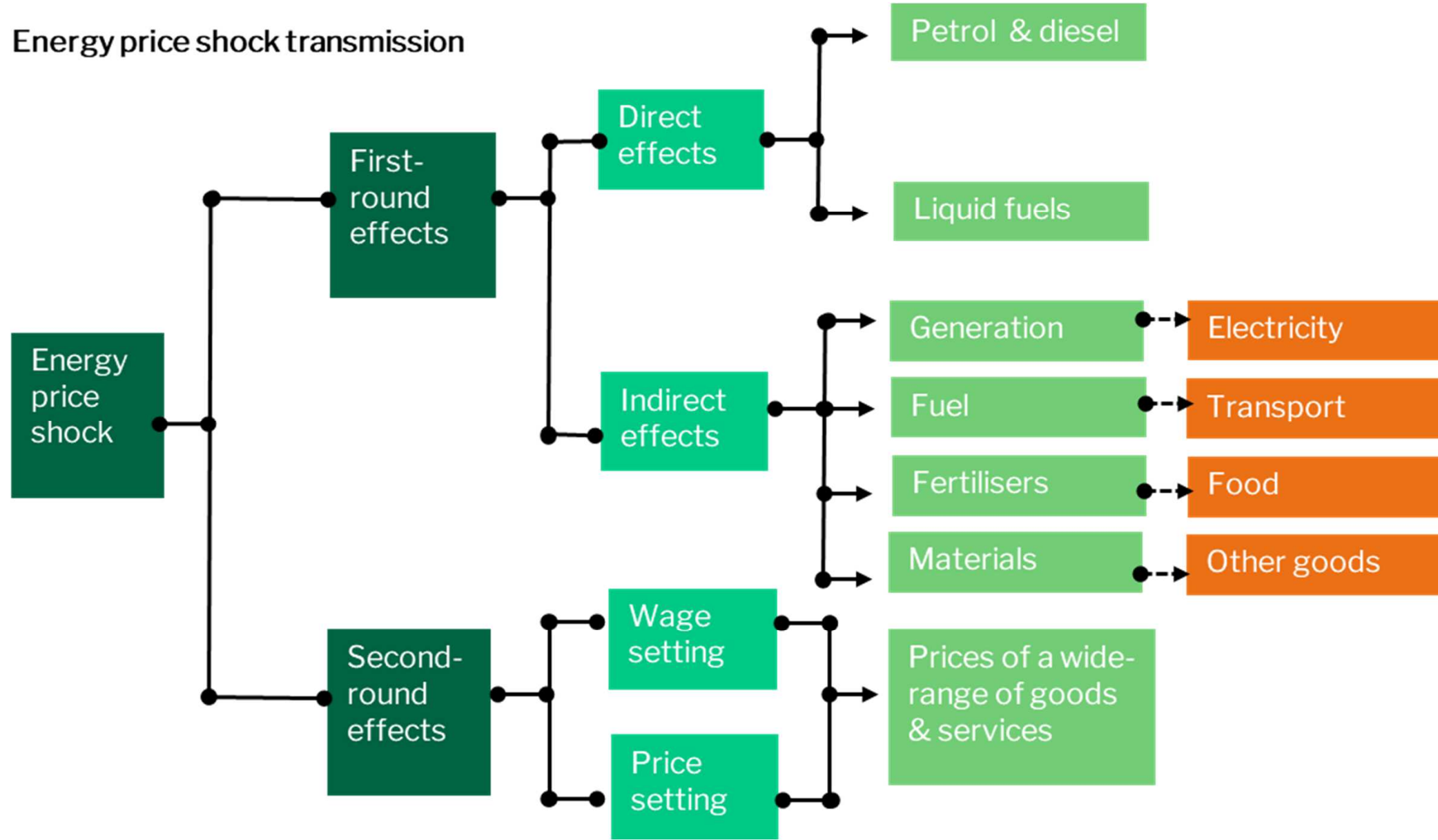


All said, the economic recovery is likely to be less robust than initially expected



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Economic growth - Annual growth rates (%)										
Consumer spending	1.3	-6.1	6.0	2.6	0.2	1.0	3.6	2.3	1.5	1.6
Fixed investment	-1.7	-14.8	-0.3	5.9	3.0	-3.9	-2.2	1.9	1.8	1.5
Exports	-3.3	-12.0	9.7	7.8	5.1	-2.8	-2.5	-1.3	2.3	3.0
Imports	0.6	-17.6	9.7	15.0	3.9	-6.4	1.1	2.2	1.9	1.7
GDP	0.3	-6.2	4.9	2.1	0.8	0.5	1.1	1.2	1.5	1.8
Balance of Payments										
Current Account (R'bn)	-146.5	109.5	231.6	-21.6	-76.4	-48.0	-35.2	-136.6	-122.1	-141.6
As % of gdp	-2.6	2.0	3.7	-0.3	-1.1	-0.7	-0.5	-1.7	-1.4	-1.6
Interest rates - Year-end rates										
3-month JIBAR	6.80	3.63	3.87	7.21	8.34	7.72	6.71	6.96	6.19	5.95
Prime	10.00	7.00	7.25	10.50	11.75	11.25	10.25	10.50	9.75	9.50
Long bond	8.96	8.93	9.65	10.84	11.04	10.22	8.36	9.28	8.37	8.16
Exchange rates - Annual averages										
ZAR/USD	14.43	16.58	14.89	16.45	18.48	18.36	17.83	16.58	16.37	16.37
ZAR/EUR	16.12	19.00	17.55	17.27	19.98	19.78	20.14	19.37	19.18	18.72
ZAR/GBP	18.45	21.40	20.46	20.20	23.04	23.39	23.43	22.25	22.18	21.74
JPY/ZAR	7.56	6.43	7.42	8.00	7.65	8.27	8.41	9.52	9.65	9.79
USD/EUR	1.12	1.15	1.18	1.05	1.08	1.08	1.13	1.17	1.17	1.14
Inflation - Annual averages										
CPI	4.1	3.3	4.6	6.9	5.9	4.4	3.2	4.0	3.0	3.3
Repo (year end)	6.50	3.50	3.75	7.00	8.25	7.75	6.75	7.00	6.25	6.00

A key consequence: Higher inflation



Thank you

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