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A blue tsunami abroad as US markets turn red, while blue mingles with green at home

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

Politics came in colour this week. A blue wave swept through Washington, while SA's electoral map was splashed with blue and increasingly large patches of green as the DA strengthened its position and ActionSA and the MK Party disrupted old voting patterns. US voters handed Democrats control of both chambers of Congress, while South Africans went to the polls in highly consequential local government elections that look set to redraw the political landscape in several important municipalities.

Markets were just as colourful. Brent crude plunged by almost 16% over the week to below $100/bbl as hopes of a diplomatic opening with Iran removed some of the geopolitical premium from oil prices. US equities were even more dramatic. After initially rallying on the Democratic sweep, Wall Street reversed sharply on Thursday, with the S&P 500 falling 4.4% and the Nasdaq 5.5% as concerns intensified about the outlook for the AI and data-centre investment boom. The sell-off reflected not only stretched valuations, but also fears that the election result could bring tougher scrutiny of the enormous power and infrastructure demands associated with AI expansion. At home, the rand strengthened to R16.48/$; the JSE All Share gained 4.1% on the back of higher mining and metals shares; and the 10-year government bond yield fell by 28 bps.

In the US, the Democrats took control of both the House of Representatives and the Senate in Tuesday's midterm elections, ending unified Republican control of Congress. The result will materially constrain President Donald Trump's domestic legislative agenda over the final two years of his term and substantially increase congressional oversight of the administration. But divided government does not mean a Democratic policy reset. Trump retains the presidential veto, and Democrats lack the supermajorities needed to override it, while the Senate filibuster will constrain many legislative initiatives. The next two years are therefore likely to bring more investigations, more political confrontation and fewer major pieces of legislation unless the two sides can find areas of compromise.

Weekly Key Indicators

	Close	w-o-w
R/$	R16.48	-0.8%
R/€	R18.50	-0.3%
R/£	R22.17	-0.2%
$/€	$1.12	0.6%
Brent crude oil	$96.84	-15.8%
Gold	$4 096	2.0%
Platinum	$1 530	3.2%
JSE ALSI	114 505	4.1%
10y gov. bond	8.42	-28bps
FRA (1x4)*	7.29	-3bps

*Forward rate agreement

The outcome was also a reminder of the political importance of the cost of living. Surveys of voters pointed to persistent frustration over high prices, while the war in Iran and the associated increase in fuel costs also featured prominently. Trump himself acknowledged after the election that the war and higher gasoline prices had hurt Republicans. Vice President JD Vance went considerably further, arguing that 'the reason we lost is the war' and questioning whether the political cost had been worth it — a notably more critical assessment than

Trump's continued defence of the conflict. Of course, the renewed cost-of-living squeeze is not unique to the US. In the UK, the Bank of England raised interest rates this week as higher energy costs continued to feed through to inflation and household budgets.

What makes the US result particularly striking is that the aggregate economy still looks remarkably resilient. October's ISM manufacturing PMI rose to 55.5, its tenth consecutive month in expansionary territory, with production strengthening to its highest level in almost five years. Services activity also remained firmly expansionary. The message from voters therefore sits somewhat uneasily alongside the headline growth data: economic activity is strong, but households experience the economy through prices, purchasing power and their own financial circumstances rather than GDP growth.

There is an obvious parallel with SA, even if the political and economic circumstances are very different. South Africans went to the polls on Wednesday against a macro backdrop that is considerably more stable than it was several years ago. The fiscal position is more credible, electricity supply has become more reliable and structural reforms are progressing. Yet those improvements can similarly feel remote when households and businesses experience the economy through unreliable water supply, poor roads, refuse collection failures and dysfunctional municipal administrations.

Early results underline just how important the local dimension has become. Several major metros appear set for another round of coalition negotiations, although the final political picture will only become clear once counting and seat allocations are complete. The economic question is therefore not simply which parties gain or lose control, but whether any change in political leadership translates into more stable administrations, better service delivery and an improved operating environment for businesses. Natasha Marrian discusses the emerging results and coalition arithmetic in more detail below, while our **Quick Takes** will continue to track developments as the count progresses.

Energy prices provided another striking link between politics and economics this week. Brent fell sharply as markets responded to signs of a possible diplomatic opening between Washington and Tehran. Iran's leadership authorised the government to pursue talks, while US officials signalled that negotiations could still provide an off-ramp from the conflict. The prospect of reduced disruption to Gulf oil supplies was enough to strip a sizeable geopolitical premium out of crude prices.

The optimism remains fragile, however. Limited US strikes continued, tanker incidents persisted and no comprehensive settlement has been reached. Oil, therefore, remains highly sensitive to any renewed escalation, even after this week's sharp decline.

For SA, a sustained decline in oil prices would be particularly welcome. Higher fuel prices have been the dominant source of the recent inflation shock, squeezing household purchasing power and raising transport and production costs. The temporary fuel-price relief announced in the MTBPS cushioned some of that pressure in November, although the effect differed sharply by fuel type. Petrol was only 1c/l cheaper, whereas diesel prices fell more noticeably. Without the intervention, motorists and businesses would have faced materially higher prices. The underlying oil price therefore remains the more important determinant of whether fuel costs, and in turn headline inflation, begin to ease more meaningfully over the coming months.

Domestically, this week's activity indicators again pointed to an economy that is moving forward, but not particularly quickly. Both the Absa and S&P Global PMIs remained below the neutral 50-point mark in October, signalling continued pressure on manufacturing and private-sector activity. Higher

fuel costs and logistical constraints remained prominent concerns. New vehicle sales provided a somewhat brighter signal, rising by 10.4% y-o-y, while exports also recovered strongly.

Taken together, the week again highlights the distinction between stability and lived economic improvement. Macro credibility, stronger US growth or better headline indicators matter, but voters ultimately experience the economy through jobs, prices, public services and the quality of institutions closest to them. That gap was visible in the US midterms and will be equally important in interpreting SA's local election results over the coming days.

WEEK AHEAD: INFLATION, JOBS AND THE GROWTH PULSE

China starts the week with October consumer and producer inflation on Monday. September CPI inflation stood at 0.9% y-o-y, while producer prices remained under pressure. The October figures will provide another indication of whether stronger export and industrial activity is beginning to translate into firmer domestic price pressures.

Tuesday is particularly busy. In the US, October CPI will be closely watched after September headline inflation accelerated to 3.7% y-o-y and 0.6% m-o-m. With recent GDP and PCE data already strengthening the case for another Fed hike, a further upside inflation surprise would add to pressure on policymakers ahead of the December meeting. Today's nonfarm payrolls will also play into US interest rate expectations, with about 65 000 jobs expected – double September's disappointingly low increase.

Locally, Stats SA releases the Q3 Quarterly Labour Force Survey on Tuesday. The official unemployment rate stood at 33.6% in Q2, and the latest figures will show whether the gradual improvement in economic activity has begun to translate into better labour-market outcomes.

September manufacturing production, also due on Tuesday, will provide one of the final pieces of the Q3 GDP puzzle. Manufacturing started the quarter strongly, with output rising in July before falling back in August. The average level of production in July and August nevertheless remained above the Q2 average, leaving a quarterly expansion possible depending on the September outcome.

Thursday brings another important set of activity indicators. In the UK, the first estimate of third-quarter GDP will show whether growth maintained the relatively firm pace seen in the first half of the year.

SA mining production is also due on Thursday and enters September from a much weaker position than manufacturing. Output contracted in both July and August, leaving the average level of production in the first two months of Q3 below the Q2 average. September would therefore need to show a meaningful rebound for mining to avoid another quarterly contraction.

Date	Event	Latest
Monday (09 Nov)	CN: Consumer Inflation, PPI (Oct)	0.9% y-o-y, 0.2% m-o-m; 5% y-o-y
Tuesday (10 Nov)	SA: Unemployment Rate (Q3)	33.6%
Tuesday (10 Nov)	US: Consumer Inflation (Oct)	3.7% y-o-y; 0.6% m-o-m
Tuesday (10 Nov)	SA: Manufacturing Production (Sep)	-4.3% y-o-y; -3.1% m-o-m
Thursday (12 Nov)	UK: Industrial Production (Sep)	1.6% y-o-y; 0.8% m-o-m
Thursday (12 Nov)	UK: GDP Growth Rate (Prel, Q3)	1.4% y-o-y; 0.5% q-o-q
Thursday (12 Nov)	SA: Mining Production (Sep)	-12.7% y-o-y; -5.4% m-o-m
Friday (13 Nov)	US: PPI (Oct)	6.3% y-o-y; 1.3% m-o-m

SA POLITICAL UPDATE

Natasha Marrian

The MK Party and ActionSA are the two breakout parties in the 2026 local election – with MK making major gains in KwaZulu-Natal and ActionSA emerging as an important force in Gauteng. The broader picture is one of a significantly weaker ANC, a stronger DA in several major urban centres and further fragmentation of the electorate.

Indeed, the 2026 local government election will be remembered as the two-horse race that wasn't. The DA went up against the ANC in the economic centre of the country, the City of Johannesburg, yet the emergence of ActionSA as a significant third force has complicated what was expected to be a more straightforward ANC-DA contest. Party leader Herman Mashaba's anti-illegal-immigrant messaging, which he stuck to doggedly throughout the campaign, makes him as much of a comeback king in Johannesburg in 2026 as Jacob Zuma was in KwaZulu-Natal in 2024.

By early Friday morning, about 62% of votes had been counted nationally. The overall picture continued to point to a significant weakening in ANC support, stronger DA performance in several major urban centres and substantial gains by MKP and ActionSA in their respective strongholds.

Projections from the Council for Scientific and Industrial Research, published by the SABC, place the ANC's end tally at around 32%, the DA's at about 26% and the MK Party at around 9%. If borne out, that would represent a substantial fall for the ANC from 47% in the 2021 local election and would have significant internal consequences for the party ahead of its 2027 elective conference and the 2029 national election.

At the time of writing, the DA was performing particularly strongly in Johannesburg. With about a third of the vote counted, it had more than 38% support, ahead of the ANC on roughly 17% and ActionSA on 16%. DA mayoral candidate Helen Zille, speaking to the BER from the Results Operations Centre yesterday, was cautiously optimistic that the DA's result in Joburg would land between 38% and 42% – a range broadly consistent with the latest count. Still, the broader Gauteng picture remained fluid, however, with counting in the province still lagging the national average. For now, CSIR projections place the DA as the largest party in Johannesburg, Tshwane and Ekurhuleni, although all three metros are expected to remain hung councils, making coalition negotiations unavoidable.

The DA's options are complicated by ActionSA's strong performance. ActionSA could emerge as a kingmaker in parts of Gauteng, particularly Tshwane, where the party has performed strongly and where the eventual council arithmetic remains highly fragmented. Ties between the parties are antagonistic, while the DA has maintained its approach to coalitions: the largest party leads the council. ActionSA, meanwhile, is seeking to have Mashaba returned to the helm of the City of Johannesburg and could potentially align with the ANC, EFF, MK and PA to achieve this outcome. That makes the eventual coalition arithmetic considerably less straightforward than a simple ANC-versus-DA contest.

The DA's Ashor Sarupen says the DA will speak to all parties, barring the EFF and MKP, but would insist that it led the government as the largest party. The DA also appears to have made important gains in Gauteng, including among black voters. Sarupen estimates that the DA has won over 1 million black voters in this election, which, if confirmed, would mark a significant milestone for the party.

KwaZulu-Natal is the other major story. MKP has made substantial gains and is reshaping the political landscape in the province. In eThekwini, it was leading the count with close to 44% of the vote, well ahead of the DA and ANC. The party has also secured outright control of Richmond, its first

municipality, after winning 56% of the vote there – a symbolic milestone for a party contesting its first local government election.

ANC chairman Gwede Mantashe indicated that the ANC's performance was a direct result of the fragmentation of the SA electorate – over 800 parties contested the election. He said ANC president Cyril Ramaphosa "led from the front" during the election campaign. The early indications from within the party are that Ramaphosa may escape much of the immediate backlash despite presiding over another significant electoral decline. Instead, attention is increasingly turning to secretary-general Fikile Mbalula and his handling of several aspects of the campaign in recent months.

Final election results will be announced on Sunday, but the composition of the various metros should become considerably clearer over the course of today and the weekend. The BER will continue to track the results and coalition dynamics as the political picture becomes clearer.



DOMESTIC DATA

Nkosinathi Nonkonyana

ABSA PMI IMPROVES, WHILE S&P GLOBAL PMI HOLDS STEADY – BUT BOTH ARE BELOW 50

The **Absa PMI** rose for a second consecutive month, increasing by 0.9 points to 49.6 in October, from a revised 48.7 in September. All five components of the headline index improved, although the overall reading remained below the neutral 50-point mark. Business activity (48.6) and new sales orders (46.8) continued to signal contraction, despite some support to orders from export demand. Together, the subindices point to continued pressure on production and domestic demand.

Notably, purchasing-price pressures intensified, with the index rising from 71.1 in September to 73.7 in October as higher fuel prices and a weaker rand raised input costs. The expected business conditions index also fell, to 51.7 from 55.3, pointing to a more cautious six-month outlook amid persistent logistical and infrastructure constraints.

The S&P Global South Africa PMI was unchanged at 49.0 in October, remaining in contractionary territory for a second consecutive month. Private-sector activity weakened amid subdued demand, shipping disruptions and higher fuel costs. New orders declined despite some support from export markets, while respondents continued to flag weak client purchasing power and broader economic uncertainty.

Higher input costs pushed purchasing-price inflation to a four-month high, while employment declined for a third consecutive month. Supply-chain pressures persisted, although delivery times improved compared with September. Expectations for future activity weakened further, suggesting that businesses remain cautious about the outlook.

NEW VEHICLE SALES RETAIN MOMENTUM AS EXPORTS RECOVER

New vehicle sales remained firm in October, with total sales reaching 61.9K units, slightly above September's 61.7K and 10.4% higher than a year earlier. Domestic demand therefore continued to hold up despite elevated fuel prices, higher interest rates and ongoing pressure on household budgets.

By vehicle type, passenger and commercial vehicle sales remained mixed, but the more notable development was the improvement in exports. Export sales rose by 6.3% y-o-y and 21.1% m-o-m, reversing some of the weakness seen earlier in the year. The rebound is encouraging for the manufacturing sector, particularly after a difficult period for external demand.

Overall, vehicle sales continue to provide a relatively resilient pocket of domestic demand, although the outlook remains vulnerable to high fuel costs, tighter financial conditions and weaker global growth.

INTERNATIONAL DATA

Paul Gluckman

CHINA'S MANUFACTURING MOMENTUM EXTENDS

The RatingDog Manufacturing PMI for October extended its 11-month expansionary streak, and at 52.0 was virtually unchanged from 52.1 in September. Stronger domestic demand, exports, business innovation, and production capacity drove the fastest output growth since April. Overall, vehicle sales continue to provide a relatively resilient pocket of domestic demand, although elevated fuel costs and pressure on household budgets remain important headwinds. As purchasing activity accelerated, employment picked up marginally, though backlogs continued to rise. Business confidence nevertheless fell to a nine-month low amid intense competition and continued cost pressures.

The competition, cost and operational constraints also carry over to the service sector, illustrated by October's services PMI moderating from 51.6 to 50.8. Consequently, the composite index fell 0.4 to 52.0.

US ACTIVITY REMAINS FIRM DESPITE HIGH COST PRESSURES

The ISM Manufacturing PMI rose to 55.5 in October, up 1 pt from September's print. Production strengthened markedly to 59.0, while new orders remained firmly expansionary and inventories returned to growth. Employment also continued to expand, albeit at a slightly slower pace. Cost pressures remained elevated despite some moderation in the prices index, with respondents continuing to flag fuel costs and tariffs. However, despite the more challenging cost environment, the manufacturing sector has kept growing throughout 2026, with many businesses benefiting from the surge in demand for AI infrastructure.

Meanwhile, the ISM services PMI moderated slightly from 54.9 in September to 54.5 in October. Business activity and new orders remained expansionary, although both moderated, while employment strengthened for a second consecutive month. Prices remained high, with fuel costs and tariffs again featuring prominently in respondents' comments. Taken together, the two ISM surveys continue to point to resilient US activity, but also persistent input-cost pressure.

EUROZONE GROWTH REMAINS RESILIENT AMID HIGHER INFLATION

Annual inflation rose to 4% in October, up from 3.8% in the previous month. A 20.8% y-o-y rise in energy prices pushed headline inflation to its highest level since September 2023. However, core

inflation stayed at 2.5% y-o-y and services inflation remains relatively contained at 3.3% y-o-y, suggesting that the input-cost surge has not yet spread from energy to the broader consumer basket.

Although higher prices ordinarily constrain economic performance, Eurozone economic activity has remained relatively resilient. The preliminary quarterly estimate for Q3 GDP came in at 0.4%, down from 0.6% in Q2. Among the major economies, Spain again performed strongly, expanding by 0.6% q-o-q, while Germany eked out growth of 0.2%. France contracted by 0.1% and Italy stagnated.

BoE HIKES FOR THE FIRST TIME SINCE AUGUST 2023

The Bank of England (BoE) raised the key bank rate from 3.75% to 4%. The MPC voted 8-1 for the 25 bps hike, with one member in favour of a bigger 50 bps increase. The bank expects inflation to increase to 5% by 2027Q2, up from 3.5% in September and well above its 2% target. While second-round effects from elevated energy prices are yet to clearly appear, stronger activity, an expected rise in core prices, and the need to act pre-emptively all supported the MPC's decision to tighten. Importantly, stronger-than-expected growth provided a firmer economic footing for the BOE to hike rates and bring inflation closer to target.

FORECAST UPDATE

We have made no changes to our macroeconomic forecasts this week.

National Treasury has, however, now incorporated Stats SA's rebased GDP figures into its fiscal ratios. The larger nominal GDP denominator lowers the estimated peak in gross debt from 78.4% of GDP in the MTBPS to 74.6% in 2025/26, while the 2026/27 main budget deficit improves from 3.7% to 3.5% of GDP. Debt is also now projected to fall below 70% of GDP a year earlier, in 2032/33.

Importantly, this is a mechanical recalculation rather than a change in the underlying fiscal position. Treasury has not altered its revenue, spending or debt estimates, and a fuller update to the macroeconomic forecast and fiscal framework will only come with the 2027 Budget.

	Actual		Forecast		Next release/meeting	
	2025	2026Q3	2026Q4	2026		
Brent crude oil ($, spot, avg.)	68.83	91.37	103	92.3	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	
Headline CPI (y-o-y % change)	3.2	4.4	5.2	4.3	18-Nov-26	Oct
FNAB inflation (y-o-y % change)	4.1	1.0	1.9	2.2	18-Nov-26	Oct
Headline PPI (y-o-y % change)	1.5	5.6	7.7	5.5	26-Nov-26	Oct
	2025	2026Q2	2026Q3	2026		
Real GDP growth (seasonally adjusted)						
(y-o-y % change)	0.9	0.9	0.8	1.1	1-Dec-26	2026Q3
(q-o-q % change)		-0.2	0.2			

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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