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Domestic data remained mixed this week. Both the Absa and S&P Global PMIs stayed below the neutral 50-point mark in October, pointing to continued pressure on manufacturing and private-sector activity, while new vehicle sales remained comparatively resilient. Internationally, US activity indicators continued to signal solid growth despite elevated cost pressures, eurozone growth held up despite higher inflation, and the Bank of England raised rates in response to renewed inflation risks.

But the data tell only part of this week's story. In the full **Weekly Review**, we unpack a dramatic political week in which Democrats swept Congress in the US midterms, SA's local elections delivered strong DA gains alongside major advances by ActionSA and the MK Party, and coalition arithmetic again moved to the fore. We also look at the sharp US equity sell-off, the almost 16% fall in oil prices, and what the Iran war and renewed cost-of-living pressures mean for politics and markets.

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.

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