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ECONOMIC UPDATES



CONSUMER PRICE INDEX

- On 21 January, Statistics South Africa released the December 2025 CPI numbers, indicating an increase of 3.6%, up from 3.5% in November 2025, remaining within the South African Reserve Bank's target range of 3-6%;
- The 0.2% increase is driven by a slight uptick in prices for goods and services;
- The average inflation rate for the year 2025 was 3.2%, marking the lowest annual average in 21 years since 2004;
- Key Contributors to inflation in December were housing and utilities at 4.9%, food and non-alcoholic beverages at 4.4%, and insurance and financial services at 7.0%;
- Annual inflation for goods was 3.0% in December up from 2.9% in November, services inflation stood at 4.2%, fuel, and energy) rose to 3.3%;
- The average inflation for 2025 suggests improved economic stability, though persistent pressures in housing, food, and services highlight vulnerabilities for consumers, particularly in lower-income households, and indicates the need for targeted policies to address cost-of-living challenges.



IMF ECONOMIC OUTLOOK FOR SOUTH AFRICA

- On 19 January, the International Monetary Fund (IMF) released economic projections for South Africa's 2026 economic outlook;
- During the engagements, the IMF reviewed the state of the South African economy, noting improved resilience in recent quarters and modest upward revisions to growth forecasts but reaffirming persistent structural impediments;
- The report projected real GDP growth of 1.4 % in 2026, slightly higher than earlier estimates of 1.2%, this growth supported by stronger private consumption and ongoing reforms;
- CPI inflation is forecasted to average 3.3% in 2025 and 3.6% in 2026, before stabilising at 3.0% by 2027 and over the next few years, indicating continued price stability within the SARB's target range;
- The IMF welcomed South Africa's commitment to reducing budget deficits and stabilising public debt, but cautioned that without growth-friendly and politically feasible adjustments, debt ratios are likely to remain elevated, and further action will be needed to ensure long-term sustainability;
- Risks to the projected outlook includes global trade uncertainties, geopolitical tensions, weak export growth, and potential delays in implementing key structural reforms, all of which could hinder investment and job creation;
- The IMF emphasised that structural reforms, especially in electricity, logistics, governance and labour markets are essential to unlock investment, improve competitiveness, create jobs and raise South Africa's growth trajectory closer to that of its emerging market peers;
- While the IMF's latest outlook shows incremental improvements in growth projections and inflation stability, it highlights that South Africa's recovery remains fragile and below potential, requiring accelerated policy reforms and sustained macroeconomic discipline to achieve more inclusive and resilient growth.

GOVERNMENT UPDATES



GODONGWANA LEADS TEAM SA AT DAVOS

- From 19-23 January, Minister of Finance Enoch Godongwana led South Africa's delegation to the World Economic Forum's (WEF) Annual Meeting in Davos, Switzerland;
- The delegation included Ministers of International Relations and Cooperation Ronald Lamola, Electricity and Energy Dr Kgosientsho Ramokgopa, Trade, Industry and Competition Parks Tau, Tourism Patricia de Lille and Small Business Development Stella Ndabeni;
- This participation follows South Africa's successful hosting of the G20 Summit and comes amid efforts to diversify trading partners, particularly as relations with the United States have cooled following the imposition of up to 30% tariffs on select South African exports starting in August 2025, impacting sectors like automotive and mining;
- The delegation highlighted South Africa's improving economic outlook, including strengthened investor confidence, stabilisation of electricity supply, the country's removal from the Financial Action Task Force (FATF) greylist last year, and S&P Global's upgrade of the sovereign credit rating to 'BB' (foreign currency) from 'BB-' in November 2025, with a positive outlook;

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- The Ministers highlighted tangible progress on structural reforms in energy, logistics, water, digital communications, and small business development, aligning with the government's medium-term growth strategy anchored in four interdependent pillars: maintaining macroeconomic stability, accelerating structural reforms, building state capability, and investing in growth-enhancing infrastructure;
- South Africa's strong showing at Davos reinforces its positioning as an attractive and stable investment destination, leveraging recent milestones to attract global capital and deepen partnerships as a gateway to the African market, even amid broader geopolitical and trade uncertainties.



BOARD OF INQUIRY TO PROBE DISOBEYED ORDER ON IRAN

- On 16 January 2026, Defence Minister Angie Motshekga announced the establishment of a Board of Inquiry to determine why President Ramaphosa's explicit instructions to the South African National Defence Force (SANDF) to withdraw or restrict Iran's participation in the multinational naval exercise in False Bay were not fully obeyed;
- The exercise, held from 9 to 16 January and led by China under the BRICS+ framework, involved navies from Russia, China, the United Arab Emirates, Iran, and South Africa, with Iranian vessels;
- Ramaphosa's order was reportedly motivated by concerns that joint drills with Iran could exacerbate tensions with the United States, particularly amid ongoing debates in Congress over South Africa's inclusion in the renewal of the African Growth and Opportunity Act (AGOA) and arguments in the US that South Africa was cozying up to American adversaries like Iran;
- The US Embassy in Pretoria expressed "concern and alarm" over reports that Motshekga and the SANDF had defied the presidential directive, stating that Iran's inclusion "in any capacity" undermines maritime security and regional stability;
- Democratic Alliance's (DA) defence spokesperson Chris Hattingh welcomed the Board of Inquiry but urged Motshekga to appear before Parliament promptly to provide interim explanations, noting that such inquiries often drag on.



NATIONAL DISASTER CLASSIFICATION FOR FLOODING

- On 19 January 2026, the South African government officially classified widespread flooding and severe weather conditions affecting five provinces, as a National Disaster under Section 23 of the Disaster Management Act of 2002, following assessments by the National Disaster Management Centre (NDMC) and consultations with provincial structures;
- The classification follows President Cyril Ramaphosa's oversight visit to flood-stricken areas in Limpopo, and a subsequent visit to Mpumalanga where he assessed damage and coordinated government response amid ongoing heavy rainfall since late November 2025;
- The extreme weather, characterized by torrential rains, strong winds, lightning, and flooding, has resulted in significant loss of life, extensive damage to over 1,300 houses, roads, bridges, and public infrastructure in Mpumalanga alone, displacement of communities and disruptions to schooling and agriculture.
- While the National Disaster designation places primary coordination responsibility with the National Executive, it also mandates all organs of the state across national, provincial, and local spheres to bolster support for disaster management structures, activate contingency measures, expedite resource allocation, and submit regular progress reports to the NDMC;
- In parallel developments, Minister of Agriculture John Steenhuisen announced plans to table a declaration of the ongoing foot-and-mouth disease outbreak as a national state of disaster at the next Cabinet meeting to enable faster, coordinated containment efforts;
- This multifaceted crisis response, marked by presidential on-the-ground leadership, inter-ministerial engagement, and proactive steps from GNU partners like the DA-led Agriculture portfolio, demonstrates early signs of coherence and unified action in addressing concurrent national emergencies.

POLITICAL UPDATES

ACTIONSA DEMANDS PARLIAMENTARY PROBE ON SANDF

- On 18 January, ActionSA formally wrote to the Joint Standing Committee on Defence requesting an urgent parliamentary investigation into reports that senior South African National Defence Force (SANDF) officials deliberately defied President Cyril Ramaphosa's lawful instructions, to exclude Iran's participation in the multinational naval exercise;
- The party described the alleged non-compliance as "the most serious breach of the constitutional chain of command," arguing that Parliament cannot remain passive when such conduct undermines civilian oversight of the military;

WEEKLY POLITICAL AND ECONOMIC HIGHLIGHTS



FRONTLINE AFRICA
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- ActionSA further rejected the Board of Inquiry announced by Defence Minister Angie Motshekga, insisting that only a genuinely independent parliamentary process, can credibly uncover the facts, and hold accountable those responsible;
- In contrast, the Democratic Alliance welcomed the establishment of the Minister's Board of Inquiry, having previously called for an investigation into the apparent disobedience, though it urged Motshekga to appear before Parliament in the interim to provide explanations while the inquiry proceeds;
- The swift and forceful intervention by opposition parties, like ActionSA pushing for a full parliamentary probe and the DA demanding immediate ministerial accountability, signals the exceptional seriousness with which political parties view this alleged defiance, treating it as a potential constitutional crisis that demands rigorous, independent scrutiny.

LEGISLATIVE/REGULATORY UPDATES



NATIONAL WATER AMENDMENT BILL

- On 21 January, the Minister of Water and Sanitation, Ms Pemmy Majodina, tabled the National Water Amendment Bill in the National Assembly;
- This introduction follows the Cabinet's approval on 6 August 2025 for the bill to be presented to Parliament;
- Representing the third set of amendments to the foundational National Water Act of 1998, following changes in 1999 and 2014, the 2026 bill seeks to advance equitable allocation of water resources, promote more efficient and optimised usage, and explicitly ban private trading of water entitlements;
- It updates and expands various definitions, including those for afforestation, estuaries, flood lines, irrigation, recreational water use, strategic water source areas, watercourses, and waterworks, while extending the review cycle for the national water resource strategy to every 10 years and requiring regular assessments of water resource classifications, quality goals, and the ecological Reserve;
- A new Chapter 3A is introduced to safeguard strategic water source areas through identification processes, bans on high-risk operations like open-cast mining, restrictions on forestry and agriculture, including buffer zones or setbacks, and provisions for tailored management regulations;
- The bill also streamlines temporary transfers of water use rights, empowers the Minister to reallocate water across sectors or regions as needed, eliminates prior declarations of existing lawful water uses, imposes additional oversight on hydrocarbon exploration activities, incorporates "fit and proper person" requirements for water use authorisations, strengthens governance and promotes transformation within water user associations, and enables the curtailment of entitlements that remain underutilised;
- Classified as a Section 75 bill, it does not impact provincial competencies, meaning the National Assembly holds primary responsibility for its processing and can adopt it by a simple majority, with the National Council of Provinces (NCOP) playing only a limited advisory role even in the event of objections;
- In South Africa, where water scarcity, historical inequities in allocation, and pollution challenges threaten food security, economic growth, and public health, this bill could significantly advance redress and sustainability by curbing market-driven commodification of water, prioritising vulnerable communities and emerging users in allocations, and bolstering protections for critical ecological zones, though its success will depend on effective implementation, enforcement capacity, and balancing restrictions with agricultural and industrial needs to avoid unintended economic disruptions.



NATIONAL TREASURY INVITES PUBLIC INPUT ON 2026 BUDGET

- On 20 January, Finance Minister Enoch Godongwana issued a call for South Africans to submit their ideas and suggestions for the upcoming 2026 National Budget, which he is scheduled to present in Parliament on 25 February;
- This initiative encourages public input to help shape fiscal decisions that must carefully balance economic growth with support for vulnerable groups, given constrained resources;
- Citizens are invited to share concise proposals on key recurring themes, including government spending priorities, tackling the substantial budget deficit, stabilising the finances of state-owned entities, investments in energy and water infrastructure, tax policies, ensuring debt sustainability, improving municipal finances, and any other relevant economic matters;
- National Treasury has run these public tips campaigns annually in recent years, receiving 341 submissions in 2021, 980 in 2022, 2,385 in 2023, 855 in 2024, and over 2,000 in 2025;

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- All inputs are reviewed, with the process narrowing down to the 10 most impactful suggestions sent to the relevant Budget division for further shortlisting to five, before the Ministry selects one standout tip;
- The winning idea is then incorporated into the Minister's Budget Speech, with credit given to the contributor;
- What makes this public engagement process significant to South Africa's democracy and public participation is that it fosters direct citizen involvement in national fiscal policymaking, often seen as an elite or technical domain, promoting transparency, accountability, and inclusivity in governance under the Government of National Unity, while empowering ordinary people to influence priorities that affect everyday life, from taxes and social support to infrastructure and economic stability.

AFRICA WATCH



SOMALIA ITERATES TERRITORIAL INTEGRITY POST-ISRAEL'S SOMALILAND RECOGNITION

- On 16 January, Somali President Hassan Sheikh Mohamud visited Las Anod, the capital of the disputed Sool region, marking it the first such trip by a sitting Somali president since 1984;
- The visit coincided with the inauguration of the newly established Northeast State, which is Somalia's sixth federal state covering the contested Cayn, Sanaag and Sool regions, which Somaliland claims as its own;
- This move came in the context of intensifying tensions after Israel's 26 December 2025 announcement recognising Somaliland as an independent sovereign state, making it the only country to do so;
- Somaliland, which has governed itself de facto since declaring independence from Somalia in 1991, had controlled Las Anod from 2007 until withdrawing in 2023 after violent clashes with Somali forces and pro-Mogadishu militias;
- Mogadishu described the visit as a symbol of strengthening federal unity and enforcing Somalia's territorial integrity;
- Somaliland's Presidency Minister Khadar Hussein Abdi countered that Las Anod remains Somaliland territory, committed to peaceful dialogue, while insisting the Israeli recognition is irreversible and urging Mohamud to address Somalia's internal challenges;
- President Mohamud called for resumed talks with Somaliland leaders, asserting it is open to compromise on all issues except Somalia's non-negotiable unity – meaning that Somaliland be absorbed under Somalia;
- Mogadishu's visit to Somaliland is a push to reclaim authority over disputed areas, potentially weakening Somaliland's grip and advancing federal consolidation, but it heightens clash risks;
- Israel's precedent challenges Africa's post-colonial border norms, possibly encouraging separatist claims elsewhere, increasing external interference, and complicating continent-wide sovereignty and conflict-resolution efforts.
- This clash could escalate tensions in the Horn of Africa, straining relations with neighbours like Ethiopia, which relies on Somaliland's ports for trade, and potentially inviting greater involvement from external powers, undermining regional stability;
- It may also embolden other African separatist movements, pressuring the African Union to reinforce its territorial integrity principles to manage conflict and fears surrounding fragmented states and heightened conflicts.

ELECTIONS IN AFRICA



BENIN

- On 17 January, Benin's electoral commission announced the provisional results of the parliamentary and local elections held on 11 January;
- Out of the five participating political parties, only two, both aligned with incumbent President Patrice Talon, secured seats in the National Assembly;
- The Progressive Union for Renewal (UPR), won 60 seats, and the Republican Bloc (BR), took 49 seats, giving them full control of the 109-member parliament;
- The main opposition party, the Democrats, garnered approximately 16% of the national vote but fell short of the strict eligibility threshold;
- Under the reforms to the electoral code passed in 2024, parties must achieve at least 20% of the vote nationally and 20% in each of the country's 24 electoral districts to qualify for any seat allocation;
- The Democrats previously held more than 20 seats but were shut out entirely this time;
- In the concurrent local elections, the opposition was barred from fielding candidates altogether;
- Civil society observers from the Coalition of Civil Society Organizations for Elections and Peace reported that the voting process was peaceful and orderly;
- This outcome effectively eliminates parliamentary opposition, consolidating power in the hands of pro-Talon forces and reducing institutional checks on the executive ahead of the April 2026 presidential election, where Talon is term-limited, and his preferred successor is expected to run;
- The high threshold, criticised by the opposition as deliberately exclusionary, has marginalised dissenting voices, potentially deepening political tensions and limiting democratic pluralism in Benin.

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UGANDA

- On 17 January, Yoweri Museveni was declared the winner of the 15 January presidential election with approximately 72% of the votes, securing his seventh term and extending his rule since 1986;
- The main opposition leader, Robert Kyagulanyi, also known as Bobi Wine, received roughly about 25% of the vote;
- The election was marked by violence in parts of the country, disputed results, an internet blackout, and widespread allegations of irregularities, including ballot stuffing, intimidation, arrests of opposition supporters, and restrictions on party agents and observers;
- Bobi Wine and other opposition figures rejected the results as fake, citing fraud and repression;
- The United Nations and observers highlighted widespread intimidation, while a joint African Union, Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD) mission noted that the internet shutdown limited information access, freedom of association, economic activity, and effective observation, fostering mistrust in the process;
- The government cracked down violently on dissent, with reports of protester deaths, house arrests, and raids on opposition homes, further eroding confidence in the electoral system, highlighting a broader pattern in parts of Africa where regular polls often reinforce incumbent dominance rather than enabling true democratic transitions, exacerbating authoritarianism and public cynicism toward electoral systems, as seen in Uganda's violent suppression and fraud allegations.



GUINEA

- On 17 January, junta leader General Mamadi Doumbouya was sworn in as president in a grand ceremony at a new 55,000-seat stadium in Conakry, attended by African leaders and representatives from the African Union (AU) and the Economic Community of West African States (ECOWAS), following his landslide victory estimated at around 86.7% in the 28 December 2025 presidential election;
- Doumbouya, who seized power in a 2021 military coup, had initially promised not to run for office, but a new constitution, which was approved via referendum, lifted the ban on military leaders running, extended the presidential term to seven years, and allowed him to contest and win;
- Critics accused him of clamping down on opposition, dissent, press freedom, and civil society, with the election campaign described by the United Nations human rights chief as severely restricted, involving intimidation, enforced disappearances, bans on demonstrations, and media constraints under tight military control;
- The transition from junta rule to an elected presidency has been criticised for entrenching military influence through constitutional changes tailored to legitimise Doumbouya's continued leadership;
- At a regional level, such outcomes risk normalising extended rule and military-to-civilian transitions that bypass fair competition, as in the case of Doumbouya, potentially encouraging emulator strategies in adjacent nations and undermining the AU's and ECOWAS's commitments to democratic standards and against unconstitutional seizures of power.

INTERNATIONAL AFFAIRS UPDATES



PUSH BACK AGAINST TRUMP'S EFFORTS TO CONTROL GREENLAND

- On 21 January, U.S. President Donald Trump reignited controversy over Greenland at the World Economic Forum (WEF) in Davos, affirming his administration's interest in negotiating for control or influence over the strategically located Arctic territory;
- The proposal sparked strong and widespread reactions from a range of international actors, including European states, the European Union (EU), North Atlantic Treaty Organisation (NATO) partners, and Greenlandic leadership;
- Trump's repeated threats, including potential tariffs on European countries opposing U.S. control and diplomatic tensions earlier in January, drew emergency meetings among EU leaders and NATO allies to formulate a collective response;
- EU leaders condemned the U.S. approach, warning it could trigger a "dangerous downward spiral" in transatlantic relations, undermine longstanding cooperation, and distract from shared priorities such as the war in Ukraine;
- Denmark and Greenland firmly rejected the idea of U.S. acquisition, with Danish Prime Minister Mette Frederiksen insisting that sovereignty is non-negotiable and should be addressed through constructive NATO dialogue, and Greenland's prime minister insisting Greenland is not for sale and international law must be respected;
- A number of European nations, including France, Germany, the UK, Norway, Sweden, and Finland have issued joint statements supporting Denmark and Greenland, condemning coercive tactics, and emphasising respect for territorial integrity;



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- At the WEF, German Chancellor Friedrich Merz advocated against abandoning transatlantic ties despite tensions, emphasising the importance of NATO cooperation and urging a united response to Trump's rhetoric on Greenland;
- Overall, the international reaction has been one of broad diplomatic pushback and calls for respect of sovereignty, with allies reinforcing cooperation frameworks rather than territorial concessions, and stressing that Greenland's future should be decided without external coercion.



WORLD ECONOMIC FORUM'S 56TH ANNUAL MEETING

- On 19 January, global political and business leaders convened in Davos, Switzerland, for the five-day World Economic Forum (WEF) Annual Meeting, bringing together over 60 heads of state, 850 CEOs, and other leaders under the theme "A Spirit of Dialogue" to address global challenges like geopolitical tensions, Artificial Intelligence (AI) innovation, economic growth, and climate issues;
- The WEF Annual Meeting serves as a key global platform for public-private dialogue, bringing together heads of state, international organisations, multinational corporations, civil society and experts to coordinate responses to shared global challenges;
- During the engagements, leaders reviewed the state of the global economy, persistent inflationary pressures, slowing growth in advanced economies, debt vulnerabilities in developing countries, climate finance gaps, and the rapid acceleration of AI and digital governance concerns;
- South Africa and other emerging economies use the WEF as a platform to highlight investment-ready infrastructure projects and structural reforms aimed at attracting capital and deepening regional integration;
- Discussions and early outcomes have emphasised the need for renewed multilateral cooperation, increased investment in emerging markets, concrete commitments on climate adaptation and energy transition, and practical frameworks for AI regulation, with leaders stressing that the credibility of the WEF hinges on translating dialogue into measurable actions and tangible outcomes for both developed and developing economies.



WORLD BANK GLOBAL ECONOMIC OUTLOOK

- On 16 January, the World Bank released its Global Economic Outlook for 2026, predicting slow GDP growth of around 2.6% in 2026, with a slight uptick to 2.7% in 2027;
- Growth forecasts for developing economies are expected to be around 4.0% in 2026, reflecting slower investment and amid global tensions;
- Despite resilience in some large economies, the overall outlook is tempered by trade tensions, fiscal constraints, and structural impediments;
- Sub-Saharan African growth is expected to reach around 4.3% in 2026, but structural and development challenges persist;
- The report highlights uneven regional performance with some regions like Sub-Saharan Africa projected to grow faster than global averages but still facing development gaps. Inflation is expected to gradually ease in much of the world, helping support broader stability, despite geopolitical tension;
- South Africa's growth strengthened to around 1.3% in 2025 and is forecast to rise to about 1.4% in 2026, with a slight increase to 1.5% in 2027. This increase is influenced by continued policy and structural reforms, in energy and logistics, along with improved business confidence;
- Despite these positive growth projections, the report indicates that growth remains low compared to what is needed to significantly reduce unemployment and poverty gaps;
- The outlook highlights the need for sustained structural reforms and improved resilience to external shocks to boost growth, reduce poverty, and manage debt vulnerabilities, especially in Sub-Saharan Africa. Global trade tensions highlight the importance of diversifying exports and strengthening regional integration for African countries and utilising platforms such as the AfCFTA to mitigate risks and foster sustainable development.

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