



### ECONOMIC UPDATES

#### ABSA PURCHASING MANAGERS' INDEX (PMI) INCREASE



- On 2 February, Absa released its Purchasing Managers' Index (PMI) for South Africa, which increased in January by 8.2 points to 48.7 from 40.5 in December 2025;
- The increase marked a significant recovery from the weakest reading since April 2020, though the headline index remained below the neutral 50-point mark, indicating ongoing contraction in manufacturing for a fourth consecutive month but at a notably eased pace;
- Key drivers of this rise included a rebound in business activity, which rose above 50 to 51.4 from 46.1 in December, signalling improved production in Q1 outputs;
- New sales orders increased to 45.4, primarily supported by stronger domestic demand, while export orders deteriorated sharply to their lowest since the COVID-19 pandemic, partly due to a stronger rand making South African goods less competitive;
- Other sub-indices showed broad-based gains, including inventories rising to 47.2, although still below the 50 point threshold and employment modestly recovering to 43.9;
- Business confidence decreased slightly to 66.4 but is 10 points above the 2025 average, reflecting optimism for improvement over the next six months;
- The PMI increase indicates signs of manufacturing recovery driven by local demand and easing pressures, though weak exports and persistent sub-50 levels underscore vulnerabilities and the need for sustained momentum to achieve recovery.

#### OPERATION VULINDLELA Q3 PROGRESS REPORT

- On 30 January, Deputy Minister David Masedo released the Q3 2025/2026 progress report for Phase II of Operation Vulindlela, the government's joint initiative to accelerate structural reforms for inclusive growth;
- The report showed steady progress across most priority areas, with around 90% of reforms on track or advancing, including regulatory approvals in electricity (e.g. Nersa licensing the National Transmission Company of South Africa as market operator, publishing trading rules, and approving grid capacity allocation for fair access);
- Significant milestones were noted in enabling private sector participation, such as preliminary work for private train operations on freight rail, finalising technical assessments for corporatising the National Ports Authority, and advancing renewable energy rollout and competition in electricity;
- Challenges persisted in key areas, with Eskom restructuring flagged as facing significant difficulties, one of only three reforms with notable delays, alongside slower progress in establishing a sustainable electricity distribution industry and clearing the national title deeds backlog;
- Broader gains included institutional reforms in water, visa processing improvements, and local government reviews to enhance sustainability;
- The update emphasised the urgency of structural reforms to counter economic headwinds, boost investor confidence, reduce costs, and support long-term growth, though accelerated action on lagging areas like Eskom remains critical for sustained impact.



### GOVERNMENT UPDATES

#### SOUTH AFRICA'S ACCESSION TO AFREXIMBANK



- On 4 February, President Cyril Ramaphosa delivered the keynote address at the signing of the Instrument of Accession by South Africa to the Establishment Agreement of the African Export-Import Bank (Afreximbank);
- Afreximbank is a pan-African multilateral financial institution that facilitates, promotes and expands intra- and extra-African trade, while serving as a key player in financing the continent's economic development and industrialisation;
- The signing ceremony signified South Africa's formal transition to Class A Shareholder status in Afreximbank, activating a strategic partnership focused on advancing industrial development, export-led growth and deeper intra-African trade integration;



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- This accession means greater access for South Africa to tailored trade finance, project funding and risk mitigation tools to accelerate industrialisation and export growth, while for the continent it strengthens Afreximbank's capital base, deepens intra-African value chains and advances the AfCFTA;
- The accession has been described by the South African Government as a major milestone in advancing Africa's intra-continental trade, affirming South Africa's commitment to African industrial development and to deepening trade, investment and development;
- President Ramaphosa in his keynote addressed also highlighted that South Africa's accession comes at a time of both challenge and opportunity for the continent, with global economic uncertainties, and shifting trade patterns underscoring the need to build economic resilience through diversification of exports;
- Once finalised, the South Africa Afreximbank Country Programme will be operationalised through a finance package supporting strategic projects in trade and industrial clusters, including priority industrial initiatives, export diversification, infrastructure development and transformation efforts;
- This partnership, leveraging Afreximbank's instruments such as trade finance, project preparation, risk mitigation and market access support, strengthens South Africa's capacity to bolster exporters, industrial projects and regional value chains, while advancing broader continental development and economic sovereignty.

## POLITICAL UPDATES

### EFF'S 2ND PLENUM OF 3RD NATIONAL PEOPLE'S ASSEMBLY

- From 30 January to 01 February, the Economic Freedom Fighters (EFF) held its Second Plenum of the Third National People's Assembly, convening 668 delegates from across all party structures to deliberate on key issues;
- The Plenum aimed to reflect on the political situation in South Africa and globally, assess the implementation of resolutions from the 3rd National People's Assembly, and consolidate the party's strategic direction ahead of the upcoming Local Government Elections;
- Among the decisions taken, the EFF reaffirmed its position against supporting the upcoming Gauteng Budget in the Provincial Legislature, citing perceived disrespect from the African National Congress (ANC), though Gauteng Finance MEC Lebogang Maile expressed confidence in its passage and committed to ongoing engagements, including with the EFF;
- The Plenum pledged support for any motion of no confidence against ANC Mayors or the Premier in Gauteng, attributing this stance to the ANC's disrespectful behaviour toward the EFF, particularly in Johannesburg and the Ekurhuleni Metropolitan Municipalities, where the ANC allegedly governs unilaterally;
- Additionally, the EFF resolved to field its own mayoral candidates in upcoming local government elections and post-election negotiations, moving away from previous strategies of support for others;
- These outcomes underscore the EFF's assertive positioning in South African politics, emphasising self-reliance and opposition to perceived ANC dominance as the party gears up for electoral contests and seeks to expand its governance influence.



### STEENHUISEN WITHDRAWS FROM DA LEADERSHIP RACE



- On 4 February, Democratic Alliance (DA) leader John Steenhuisen announced that he will not contest the party's federal leadership election in April, marking the end of his six-year tenure as federal leader;
- Steenhuisen framed his decision as a mission accomplished, citing achievements such as electoral victories and leading the DA into the Government of National Unity, while expressing his intent to focus fully on his ministerial portfolio addressing the Foot and Mouth Disease outbreak affecting South Africa's livestock sector;
- The withdrawal opens opportunities for emerging leaders within the party, including Cape Town Mayor Geordin Hill-Lewis, who has expressed political ambitions and a willingness to lead the DA but had previously indicated he would not challenge Steenhuisen;
- The DA thanked its outgoing leader for six years of "determined leadership," noting that under Steenhuisen's guidance, the party strengthened its institutional stability, improved electoral performance and achieved a historic breakthrough by entering national government;
- This leadership transition signals a period of renewal for the DA, positioning it to build on recent gains and prepare for future electoral challenges amid evolving political dynamics in South Africa;
- For more on the implications of Steenhuisen's decision, read our analysis [here](#).



### LEGISLATIVE/REGULATORY UPDATES

#### SADC/EU ECONOMIC PARTNERSHIP AGREEMENT REGULATIONS

- On 30 January, the Department of Agriculture, Land Reform and Rural Development issued a government notice under the Broad-Based Black Economic Empowerment Act, detailing the procedures for the administration, allocation, and application of export quotas under the Economic Partnership Agreement (EPA) between the Southern African Development Community (SADC) and the European Union (EU) for 2026;
- These procedures govern how limited export permits, covering various agricultural products eligible for preferential access to the lucrative EU market, are distributed among South African exporters;
- Allocation criteria include factors such as an applicant's historical market share and the overall available quota volume, but place particular emphasis on the Broad-Based Black Economic Empowerment (B-BBEE) status of applicants, alongside strict verification requirements aligned with relevant sector codes;
- The notice accommodates varying compliance burdens, for instance, small and exempted micro enterprises may submit affidavits instead of full certification, easing entry for smaller players, while larger firms are required to obtain verification from South African National Accreditation System (SANAS)-accredited agencies;
- This framework reflects South Africa's ongoing integration of domestic empowerment policies with its international trade obligations under the SADC-EU EPA, which provides duty-free or reduced-tariff access for specified agricultural goods but operates within tariff-rate quota (TRQ) limits to protect EU markets;
- This measure could significantly influence South Africa's agricultural export landscape by prioritising B-BBEE-compliant entities in quota allocation, potentially channelling more opportunities toward black-owned or empowered businesses and advancing economic transformation goals in the sector;
- However, it has sparked debate, with critics arguing that tying export access so heavily to empowerment credentials may disadvantage established, often white-owned producers, reduce overall export efficiency, or create administrative hurdles in a competitive global market, though proponents view it as a vital step toward inclusive growth and equitable participation in lucrative international trade;
- The notice aligns with longstanding AgriBEE Sector Code principles, highlighting the government's commitment to balancing trade commitments with domestic redress priorities.



#### DRAFT CANNABIS FOR PRIVATE PURPOSES REGULATIONS

- On 2 February, the Department of Justice and Constitutional Development in South Africa published the draft Cannabis for Private Purposes Regulations, 2025, for public comments;
- The draft regulations aim to specify limits and conditions for adult private use of cannabis, while prohibiting dealing and addressing related matters;
- Key proposed limits include a maximum possession of 750 grams of cannabis at any time during a single day for private purposes;
- Adults may cultivate no more than 5 cannabis plants in a private place at any given time;
- Transportation is similarly capped at a cumulative 750 grams per day, including cannabis still on plants, with strict conditions requiring concealment from public view, such as storing it in a vehicle's boot, trunk, enclosed compartment, or a covered container, while prohibiting mixing with other substances, handling during transport, or disclosing its presence to non-passengers.
- The regulations also outline procedures for expunging criminal records related to past cannabis convictions;
- The developments draw from detailed rules to implement the Cannabis for Private Purposes Act, 2024, which was signed into law in May 2024, following the 2018 Constitutional Court ruling that decriminalised private adult use and cultivation of cannabis as a matter of privacy rights;
- The regulations represent a major step toward clarifying the legal grey area that has existed since the 2018 judgment and the 2024 Act;
- By setting specific, enforceable limits on possession, cultivation, and transport, the drafts aim to balance adults' constitutional right to privacy with public health, child protection, and preventing abuse or dealing, which remains prohibited.





### AFRICA WATCH

#### PICI HEADS OF STATE AND GOVERNMENT MEETING

- On 30 January, the first Presidential Infrastructure Champion Initiative (PICI) Heads of State and Government Meeting for 2026 was held at the Union Buildings in Tshwane, to review the 2024-2025 Progress Report;
- PICI is a high-level African Union initiative that accelerates African infrastructure development through political championing by Heads of State. Backed by 12 champion countries, it embodies strong leadership commitment to realising Agenda 2063's "Africa we want" by enabling top-level engagement in transformative projects that benefit the continent and beyond.
- Despite fiscal constraints and geopolitical challenges, key PICI projects demonstrated strong resilience, including the:
  - Trans-Sahara Highway, which is over 90% complete,
  - The operational Algerian segment of the Nigeria-Algeria fibre optic link,
  - Efforts to eliminate roaming charges in the East African Community,
  - Renewed momentum for the Trans-Sahara Gas Pipeline and Abidjan-Lagos Corridor that is attracting over \$15 billion in interest, and
  - South African locomotive production with 70%+ local content;
- South Africa's President Cyril Ramaphosa called for transforming the PICI Secretariat into a dedicated project facility with enhanced financial capacity to bridge early-stage gaps, conduct feasibility studies, and prepare bankable packages, while stressing the critical importance of sustained high-level political ownership to overcome bottlenecks, including political instability and security risks;
- He urged deeper collaboration, innovative financing, and stronger institutional support ahead of the February AU Summit to secure mandates for the next phase of transformative projects.
- This high-level PICI meeting reinforced political commitment and strategic direction to accelerate Africa's transboundary infrastructure development, directly advancing Agenda 2063, AfCFTA integration, and the vision of a connected, prosperous continent driven by African leadership.



#### TUNISIA'S PRESIDENT EXTENDS STATE OF EMERGENCY



- On 30 January, Tunisian President Kais Saied extended the country's state of emergency, which was first declared on 24 November 2015 following a deadly attack on presidential guards, until the end of 2026, marking the longest continuous emergency regime in Tunisia's modern history;
- Successive governments have justified these renewals by citing persistent security threats and regional instability, yet the measure now grants authorities sweeping exceptional powers: the ability to place individuals under house arrest without judicial oversight, prohibit meetings and strikes, impose curfews, censor or close media outlets, and ban public gatherings unless explicitly authorised;
- Having remained in force uninterrupted for over a decade, this protracted emergency has become a cornerstone of Saied's governance, especially since his July 2021 power grab that saw him suspend parliament, dismiss the government, and begin ruling by decree, moves he continues to defend as necessary to combat corruption and restore order;
- In practice, the enduring state of emergency has profoundly eroded civil liberties in Tunisia, effectively normalising the suspension of fundamental rights under the guise of security and enabling the systematic silencing of dissent;
- Activists, critics, journalists, lawyers, and opposition figures now face arbitrary arrest, house arrest or travel bans without meaningful judicial recourse, while freedom of assembly, expression, and the press have been severely curtailed, transforming what was once the Arab Spring's sole success story into an increasingly authoritarian state where the rule of law is subordinated to executive whim.



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## TSHISEKEDI'S PREREQUISITE FOR NATIONAL DIALOGUE

- On 31 January, President Félix Tshisekedi reaffirmed his openness to an inclusive national dialogue in the Democratic Republic of Congo (DRC), emphasising that national unity has become an absolute imperative;
- However, he attached firm preconditions: the talks must take place on Congolese soil, remain under the supervision of formal state institutions, refrain from questioning the legitimacy of elected bodies or authorities, and cannot overturn any existing court rulings;
- Unlike 2025, when Tshisekedi outright rejected participation in a South Africa-hosted peace process organised by the Thabo Mbeki Foundation precisely because it included M23 representatives, his current stance gestures a cautious shift toward engagement, yet one that pointedly maintains his long-standing refusal to negotiate directly with armed groups he considers terrorists;
- A genuinely inclusive national dialogue in a fractured society like the DRC could represent a historic opportunity to rebuild trust between communities, restore a minimum level of state legitimacy in the east, and create a Congolese-owned framework for addressing decades of grievance, exploitation, and exclusion;
- Conversely, a dialogue that excludes key armed actors and their political backers because of non-negotiable legal red lines risks being dismissed as a government monologue, deepening cynicism and further entrenching the very fragmentation it claims to heal;
- Thus, the death sentences for leaders of the March 23 Movement (M23) and the Alliance Fleuve Congo (AFC) rebels for insurrection, treason and war crimes, may have to be reviewed.



## INTERNATIONAL AFFAIRS UPDATES

### AGOA ONE-YEAR EXTENSION



- On 3 February, President Donald Trump signed into law a one-year extension of the African Growth and Opportunity Act (AGOA), reauthorising the trade preference program through 31 December 2026, with retroactive effect from 30 September 2025, when it had lapsed;
- The extension follows congressional action where the House initially approved a three-year renewal, but the Senate reduced it to one year amid calls for modernisation aligned with Trump's "America First" trade policy, including demands for greater reciprocity, market access for US businesses, and stricter adherence to eligibility criteria on governance, market economies, and investment barriers;
- This extension provides temporary relief to African exporters and averts immediate trade disruptions or job losses, but lacks long-term certainty;
- Particular uncertainty surrounds South Africa's continued eligibility due to strained US-SA relations, with potential exclusion risks amid broader US tariff policies that could offset AGOA benefits;
- While the extension is welcomed by African governments and businesses as better than termination, the brief extension highlights vulnerabilities in US-Africa trade ties, prompting calls for diversification into other markets and emphasising the need for a more stable, framework to foster mutual growth.

### RUSSIA-UKRAINE WAR UPDATES

- On 5 February, amid the second day of US-brokered peace talks in Abu Dhabi (UAE), Ukraine and Russia agreed to exchange 314 prisoners of war (POW);
- The exchange involved 157 prisoners from each side, with the process facilitated as part of ongoing indirect negotiations aimed at broader de-escalation;
- The prisoner swap represents a limited but tangible humanitarian outcome from the talks, which have so far produced no major breakthrough toward ending Russia's full-scale invasion of Ukraine that began in February 2022;
- US officials noted work still needs to be done to achieve a comprehensive resolution, with the exchange serving as a confidence-building measure amid persistent differences on territorial, security, and ceasefire issues;
- This development follows a pattern of intermittent POW swaps mediated by third parties;
- Nonetheless, while the prisoner exchange provides relief to families and signals some dialogue momentum under US mediation, it falls short of addressing core war-ending demands, leaving the conflict's trajectory uncertain amid continued military pressures on the ground.



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