



WEEKLY POLITICAL AND ECONOMIC HIGHLIGHTS

27 February 2026

ECONOMIC UPDATES

2026 BUDGET SPEECH

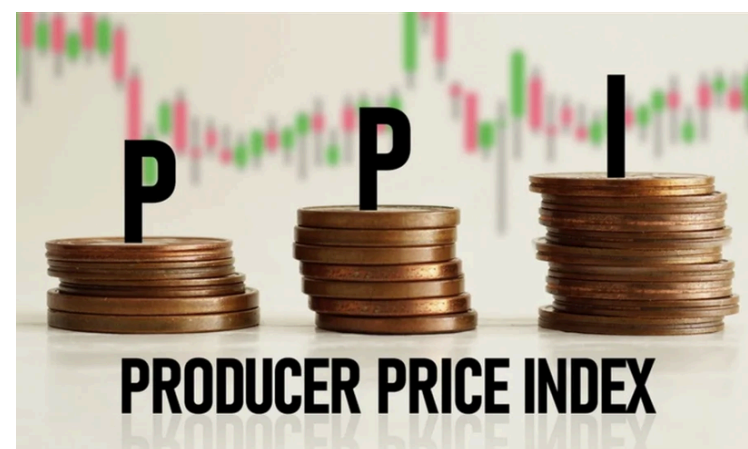


- On 25 February, Minister of Finance Enoch Godongwana delivered the national Budget Speech for the 2026/27 fiscal year, highlighting continued fiscal discipline, inflation-linked adjustments, and targeted tax changes to balance economic growth with revenue needs;
- GDP growth is set for 1.6% for 2026, projected to rise to 2% by 2028. Inflation averaged 3.2% in 2025, set to remain contained;
- Gross tax revenue for 2025/26 is revised up by R21.3 billion, with the tax-to-GDP ratio rising to 25.9% from 25.1%, and no changes to VAT rates or major new taxes on consumer goods or financial services;
- Alcohol, tobacco, and vaping sin taxes for are set to increase in line with expected inflation of 3.4%, whilst the health promotion levy (sugar tax) increases by 3.2%;

- Alcohol producers welcomed inflation-linked increases for promoting predictability and stability, potentially aiding efforts to curb the illicit alcohol trade. Critics particularly in the tobacco sector warned that successive tax hikes have contributed to a thriving illicit cigarette market, undermining both revenue and legitimate business activity;
- To that end, tobacco and alcohol sector stakeholders welcomed the acknowledgement by the Minister that illicit trade is a problem that needs urgent government attention;
- Personal income tax brackets and rebates were fully adjusted for inflation, and features such as the tax-free investment contribution limit were raised (from R36 000 to R46 000) and retirement contribution caps increased (from R350 000 to R430 000) to mitigate cost-of-living pressures;
- Broader fiscal measures included the withdrawal of a proposed R20 billion VAT increase, increases in social grants, and continued inflation-linked fuel levies reflecting an effort to balance fiscal consolidation with taxpayer relief;
- The 2026 Budget indicates a level of caution in navigating the current economic environment by maintaining predictable, inflation-linked excise duty increases for alcohol and tobacco that support revenue without imposing above-inflation “sin tax shocks.” This while simultaneously embedding targeted personal tax relief, social grant enhancements, and structural fiscal reforms;
- This balanced approach aims to protect public finances, support consumer spending power, and promote stability in sectors affected by excise duties, even as South Africa continues to confront unemployment and slow growth.

PRODUCER PRICE INDEX (PPI)

- On 26 February, Statistics South Africa (StatsSA) released the Producer Price Index (PPI), indicating annual producer inflation (year-on-year) slowed to 2.2 % in January, down from 2.9% in December 2025;
- Month-on-month declined by 0.2 % in January, suggesting short-term easing in prices faced by producers at the start of 2026;
- Key contributors to the annual headline inflation included food products, beverages and tobacco products at 2.4% and furniture and other manufacturing at 12.2%;
- The main negative contributor to the monthly change was petroleum, chemical, rubber and plastic products at -2.3%, largely driven by falling fuel prices such as petrol down 5.3% and gasoline down 4.8%;
- The slowdown in annual PPI to its lowest level in several months reflects weaker costs at the production level, influenced by factors such as lower fuel prices and reduced cost pressures in key input categories;
- The slowdown in headline PPI to its lowest since August 2025 alleviates some cost pressures at the early stages of the production chain;
- This moderation may help lower overall inflationary pressures in the economy and support business planning. A positive sign for price stability even as domestic and international cost factors continue to evolve.



PRODUCER PRICE INDEX

GOVERNMENT UPDATES

CABINET ADVANCES SONA 2026 PRIORITIES

- On 25 February, Cabinet reviewed progress on implementing President Ramaphosa’s 2026 State of the Nation Address (SONA) commitments under the theme “Fixing What We Must to Rise Together,” focusing on persistent national challenges despite improving economic indicators;
- Key priorities include resolving the national water crisis, combating Foot and Mouth Disease, tackling organised crime and weaknesses in the criminal justice system, strengthening dysfunctional local government, and addressing high unemployment;



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- To address the water crisis, Cabinet confirmed the establishment of a Water Crisis Committee chaired by the President to coordinate interventions and finalise a Water Action Plan covering short-, medium-, and long-term measures to ensure reliable supply from taps;
- In an immediate response, the Minister of Water and Sanitation approved an urgent three-month water use licence for Rand Water to abstract additional water from the Integrated Vaal River System, enabling Gauteng municipalities to stabilise reservoir levels;
- On organised crime and criminal justice system integrity, Cabinet endorsed a multi-pronged approach including the National Organised Crime Combat Plan, SANDF deployments in gang hotspots, re-vetting of South African Police Service (SAPS) and metro police members with lifestyle audits, submission of a Vetting Plan to the Joint Standing Committee on Intelligence, and a dedicated SAPS task team to probe senior members implicated by the Madlanga Commission;

- Cabinet also welcomed the R2.67 trillion 2026 National Budget, which funds SONA commitments, notably allocating R2.7 billion over the Medium-Term Expenditure Framework to Defence operations and R1 billion each to SAPS and the South African National Defence Force (SANDF) from the Criminal Assets Recovery Account (CARA) Fund to intensify the fight against organised crime;
- These coordinated measures and targeted budget support reflect Cabinet's determination to confront entrenched systemic failures head-on, though effective delivery will depend on rigorous execution and interdepartmental accountability to translate high-level commitments into tangible improvements for citizens..

POLITICAL UPDATES

MASHABA NAMED ACTIONSA CANDIDATE FOR COJ

- On 21 February, ActionSA announced Herman Mashaba as its mayoral candidate for the City of Johannesburg (COJ) during a launch event at the Orlando Community Hall in Soweto;
- Mashaba, who previously served as Johannesburg mayor from 2016 to 2019 under the Democratic Alliance (DA), outcompeted other internal contenders for the nomination, including party national chair Michael Beaumont, Members of Parliament (MPs) Lerato Ngobeni and Dereleen James, and Member of Provincial Legislature (MPL) Funzi Ngobeni;
- In his acceptance speech, Mashaba highlighted pressing daily struggles in Johannesburg such as water shortages, damaged roads, broken infrastructure, and leaking sewerage, which he pledged to prioritise and address if elected;
- Mashaba attributed the City's "collapse" to self-serving and incompetent politicians who have failed to tackle endemic corruption within the municipality;
- To combat this, he committed to implementing mandatory lifestyle audits for senior officials and political office bearers, blacklisting corrupt contractors, and publishing major tender contracts for public scrutiny to enhance transparency and accountability;
- Mashaba's candidacy marks him as the second former mayor to enter the COJ mayoral race, following the announcement of Helen Zille, former Cape Town mayor, as the DA's candidate for the same position;
- This nomination underscores ActionSA's strategy to leverage Mashaba's prior experience as CoJ mayor and anti-corruption credentials to challenge established parties in Johannesburg's upcoming local elections, potentially reshaping the city's political landscape amid widespread service delivery failures.



EFF TO CHALLENGE MANAMELA'S SETA BOARD APPOINTMENTS



- On 23 February, the Economic Freedom Fighters (EFF) served Minister of Higher Education Buti Manamela with court papers, challenging his reappointment of eight Sector Education and Training Authority (SETA) CEOs;
- The EFF approached the Gauteng High Court to set aside these reappointments, contending that they lacked transparency, violated due process, and should be declared unlawful and invalid;
- Manamela had faced significant backlash in Parliament on 26 November 2025, where MPs questioned the legality, transparency, and credibility of the five-year reappointments, accusing him of bypassing proper procedures;
- The EFF further argued that the appointments were entangled in corruption and cadre deployment practices, favouring allies from the African National Congress (ANC) and South African Communist Party (SACP) in a system prioritising patronage over merit and progress;
- This legal action echoes prior controversies, such as the one that led to the dismissal of former Higher Education Minister Dr. Nobuhle Nkabane in 2025, where similar Seta appointment irregularities played a central role in allegations of mismanagement and corruption;
- The EFF's court challenge highlights the extent that opposition parties are willing to go beyond parliament to ensure accountability and transparency from government.



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POLITICAL PARTIES REACT TO BUDGET SPEECH

- On 21 February, following Finance Minister Enoch Godongwana's delivery of the 2026 Budget Speech, various political parties offered their responses, reflecting diverse perspectives on its priorities and implications;
- The Democratic Alliance (DA) MP on finance Dr Mark Burke described the budget as a true reflection of the Government of National Unity (GNU) rather than a single-party agenda, emphasising its collaborative nature;
- Meanwhile, African National Congress (ANC) Spokesperson Mahlengi Bhengu-Motsiri praised the focus on local government as one of the key positive developments, highlighting allocations aimed at improving municipal functionality and service delivery;
- The Inkatha Freedom Party (IFP) also welcomed the speech, noting that it aligns with several of the party's long-standing priorities, including safeguarding frontline services, strengthening social protection, and restoring economic stability through targeted allocations;
- Furthermore, African Christian Democratic Party (ACDP) MP Steve Swart labelled the budget as hopeful, commending Godongwana for avoiding increases in personal and corporate taxes; however, he expressed concerns over the nation's high debt burden and sluggish growth projections;
- Build One South Africa (Bosa) leader Dr Mmusi Maimane endorsed the R1 billion allocation to policing, stating that it addresses South Africa's status as a dangerous place and is essential for eradicating poverty through enhanced security and economic growth;
- In contrast, Economic Freedom Fighters (EFF) leader Julius Malema criticised the budget for prioritising investor appeal over substantial financial injections into public infrastructure rejuvenation, arguing it missed opportunities for transformative economic interventions;
- These varied reactions illustrate the GNU's delicate balancing act in fiscal policy, where consensus on social protections contrasts with ideological divides on growth strategies, debt management, and infrastructure investment ahead of impending electoral pressures.



ZILLE WILL NOT SEEK RE-ELECTION



- On 26 February, Democratic Alliance (DA) Federal Council chairperson Helen Zille announced that she will not seek re-election to the position at the party's federal congress in April;
- Zille stated she was unwilling to hold two and possibly three demanding jobs at once, which would be her Johannesburg mayoral campaign, a potential role on the City of Johannesburg council, and her current responsibilities as Federal Council chairperson;
- The decision also comes as Zille weighs the possibility of joining the City of Johannesburg council, with her final decision to be taken only after the party's congress;
- Zille is intensifying her mayoral campaign following the entry of Herman Mashaba and Kenny Kunene into the race, as well as the DA's recent promising victory in Ward 102, where the party not only retained the ward but secured with a landslide 30-percentage-point increase;

- This announcement underscores the DA's sharpened focus on the Johannesburg mayoral contest amid rising competition, while the forthcoming federal leadership transition is expected to introduce only limited adjustments within the Government of National Unity (GNU) ahead of the local government elections.

LEGISLATIVE/REGULATORY UPDATES

DOH RESPONDS TO SUBMISSIONS ON THE TOBACCO BILL

- On 25 February, the Portfolio Committee on Health met to consider the Department of Health's (DoH) responses to public hearings on the Tobacco Products and Electronic Delivery Systems Control Bill;
- The DoH rejected claims that the Bill ignores illicit trade, citing South Africa's 2013 World Health Organisation's Protocol to Eliminate Illicit Trade in Tobacco Products signing, which is awaiting ratification from Parliament;
- It dismissed plain packaging concerns by referencing Australia's 2012 success, where there was no reported increase in illicit trade and continued smoking decline post the introduction of plain packaging;



health

Department:
Health
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- The Department refuted job and revenue loss fears, noting health costs far exceed tobacco's economic benefits, and highlighted effective existing enforcement;
- On harm reduction, it opposed viewing nicotine and vaping products as safer, citing addiction and health risks, rejected separate legislation for new products, and supported flavour and marketing restrictions with practical vendor measures;
- However, the DoH proposed clearer combustible and non-combustible distinctions and anti-illicit trade clauses;
- Members of the Committee broadly supported modernisation for public health and youth protection but stressed proportionate regulation, explicit differentiation between combustible and non-combustible products, illicit trade solutions, especially around enforcement, and local socio-economic sensitivity;
- Taking members' concerns and issues into consideration, the DoH was advised to revise its presentation with a follow-up set for 4 March 2026;
- The Bill highlights the balancing act that government must undertake in developing legislation that considers various concerns by stakeholders and should be cognisant of local conditions, even when guided by international commitments.

AFRICA WATCH

BURKINA-FASO AND GHANA REACTIVATE DIPLOMATIC PACT

- On 20 February, Burkina Faso and Ghana successfully concluded the 13th session of their Permanent Joint Commission for Cooperation (PJCC) in Ouagadougou, marking the reactivation of this key bilateral mechanism after a six-year hiatus;
- The high-level engagements, led by Ghana's Minister for Foreign Affairs, Samuel Okudzeto Ablakwa and his Burkinabè counterpart Karamoko Jean-Marie Traoré, along with discussions involving Burkina Faso's Prime Minister, culminated in the signing of seven bilateral agreements;
- These pacts aim to strengthen cross-border, diplomatic, economic, mobility, security, and trade ties, with a strong emphasis on stabilising one of West Africa's most critical trade and security corridors, which is besieged by rising threats from terrorism and violent extremism in the Sahel region;
- They committed to designing and implementing a new bilateral security framework to neutralise these growing threats through coordinated responses, improved intelligence sharing and joint operations;
- For Economic Community of West African States (ECOWAS) countries like Ghana, entering bilateral agreements with Burkina Faso, which has been under military rule since the 2022 coup, carries key implications;
- Although Burkina Faso withdrew from ECOWAS in January 2025 alongside Mali and Niger, forming the Alliance of Sahel States, Ghana faces no formal prohibition on bilateral deals;
- However, such agreements risk undermining ECOWAS's zero-tolerance stance on unconstitutional changes of government, potentially weakening regional democratic norms and unity;
- Pragmatic cooperation, be it in trade, security, or border issues, is possible but could expose Ghana to criticism for indirectly legitimising junta rule, strain relations with other ECOWAS members, and complicate full regional integration;
- Ghana must balance practical needs against upholding the bloc's credibility.



THE EAST AFRICAN COMMUNITY (EAC) HIGH-LEVEL DIALOGUE



- On 20 February, the East African Community (EAC) wrapped up a two-day high-level multisectoral dialogue in Kigali, Rwanda, that brought together policy and technical officials from all eight Partner States;
- The primary goal was to tackle emerging and persistent obstacles that continue to hinder intra-regional trade and the overall regional integration process;
- For context, intra-EAC trade has stagnated at roughly 15% of the bloc's total trade for more than a decade, far short of its estimated potential of 30% to 50% or higher;
- In comparison, internal trade makes up about 60% in the European Union and around 40% in some Asian regions;
- To circumvent this, key outcomes for dismantling trade barriers and advancing the Customs Union and Common Market, from the dialogue included:
 - An agreement on five priority actions to reduce barriers and boost intra-regional trade;
 - Enhancing enforcement mechanisms to ensure compliance with regional protocols;
 - Establishing clearer escalation pathways to the EAC Council and Summit for resolving disputes;
 - Operationalizing regional trade remedies to protect local industries and promote fair competition;
 - Shifting emphasis from policy formulation to implementation and accountability;
 - Strengthening coordination for harmonised regulations, infrastructure investments, and digital trade to boost competitiveness and regional value chains;



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- These recommendations will guide the EAC Council and Summit toward a more integrated, prosperous single market;
- Heightening intra-African trade, including within the EAC, holds transformative potential for member countries by building resilient regional value chains, fostering economic diversification, reducing vulnerability to global shocks, creating more jobs, especially through manufactured goods exchange and industrialisation;
- However, much of the progress is contingent on the political will of EAC partner states to create investment-friendly policies and strategies domestically.

INTERNATIONAL AFFAIRS UPDATES

US SUPREME COURT RULING ON TRUMP TARIFFS



- On 20 February, the U.S Supreme Court ruled that President Donald Trump's use of the International Emergency Economic Powers Act (IEEPA) to impose sweeping tariffs on global imports was unlawful, striking down tariffs estimated at \$130-160 billion collected since their implementation;
- The decision, written by Chief Justice John Roberts and joined by Justices Sotomayor, Kagan, Gorsuch, Barrett, and Jackson, stated that IEEPA does not authorise the president to impose tariffs;
- The Court did not automatically void all Trump-era tariffs but remanded specific measures for lower-court review, requiring reassessment of compliance with statutory standards and administrative law principles;
- In response, President Trump signed a proclamation imposing a temporary 10% ad valorem import tariff for 150 days under Section 122 of the Trade Act of 1974, effective 24 February 2026 to on 24 July 2026;

- Financial markets reacted with short-term volatility amid uncertainty over the durability of existing tariffs, while business groups broadly welcomed the decision for enhancing policy predictability;
- International trading partners interpreted the ruling as a reaffirmation of rules-based trade governance, potentially reducing the likelihood of abrupt tariff actions in future U.S. administrations;
- All in all, the ruling has caused trade uncertainty, with some nations optimistic about reduced duties and others concerned over new tariffs and the reshaping global industrial policies.

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