

Economics
at a glance
February
2026

South African

National Budget 2026:
A fiscal health check

Key numbers at a glance



Inflationary relief: Personal income tax brackets (R13.7 billion) and medical tax credits fully adjusted for inflation



Fuel levy: 9c/l hike in the fuel levy, 7c/l increase in the Road Accident Fund levy and 5c/l carbon tax on fuel



Sin taxes: 8c per 340ml can of malt beet, 15c per 750ml bottle of wine, R3,20 per 750ml bottle, 77c per packet of 20 cigarettes

2026 SA growth forecast revised from:

1.5%

to

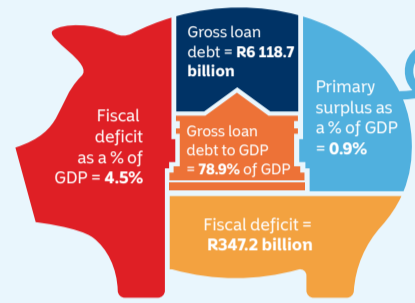
1.6%

2026 SA inflation revised from:

3.7%

to

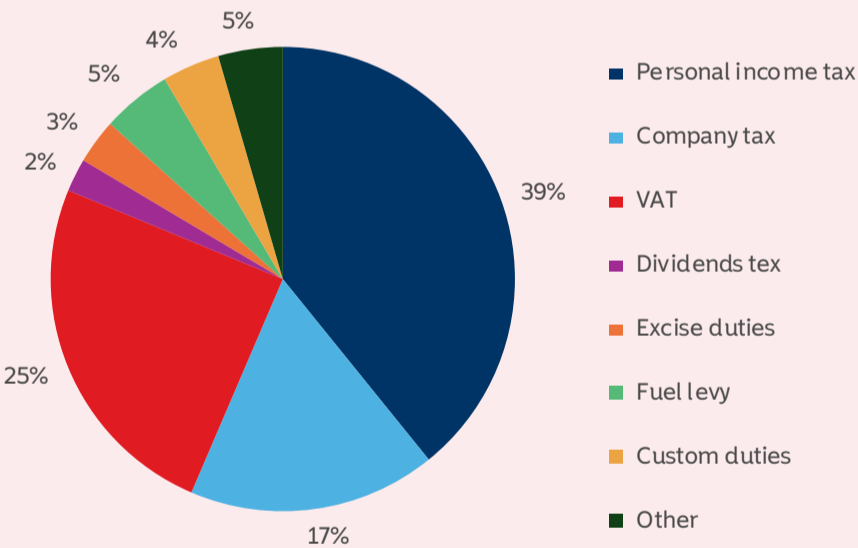
3.4%



Fiscal year 2025/2026 (consolidated)

The bulk of tax revenue still comes from personal income tax, company taxes and VAT

Gross tax revenue split for fiscal year 2025/2026 (%)



Tax revenue rises to **25.9%** of GDP (tax burden) in fiscal year 2025/2026



8.4% nominal growth in main budget revenue in fiscal year 2025/2026

Debt-service costs are the third-largest spending category for government

Consolidated expenditure by function for fiscal year 2025/2026 (R'-billion)



The social wage makes up **60%** of non-interest spending over the medium term



Government provides support to **13.6 million** school children



Government provides healthcare services to **53.4 million**



Government provides support to **26.5 million** social grant beneficiaries

Government debt turning a corner, but crowding out effect remains high

If gross government debt was spread out across all of its citizens, each person would be liable for **R96 966**.



Interest bill
5.4% of GDP in fiscal year 2025/2026



Interest bill
21.3% of government revenue in fiscal year 2025/2026

Reforms are no longer just plans, they are becoming drivers of longer-term growth



Energy

Implementation of the Electricity Regulation Amendment framework and continued unbundling of Eskom's transmission entity aim to entrench a competitive power market.



Infrastructure

Expanding project pipeline, with greater private-sector participation through public-private partnerships.



Water and sanitation

Tighter conditional grant oversight and advancing institutional reform of water boards to stabilise service delivery.



Local government

Enhanced intervention frameworks under the Municipal Finance Management Act are being applied more assertively to distressed municipalities.



Public procurement

The rollout of the Public Procurement Act framework is reshaping tender rules, standardising processes and strengthening oversight.



State entity reform

The National State Enterprises Bill seeks to centralise oversight and professionalise state ownership practices.



Tax administration

Scaling advanced data analytics and e-filing upgrades to close compliance gaps.



Public wages

Professionalising the service, benchmarking pay to market rates, moderating automatic progression, aligning non-salary benefits and embedding performance-linked accountability within multi-year fiscal frameworks.



Growth and invest-

Ongoing regulatory streamlining and sector-specific incentive adjustments aim to unlock green energy, manufacturing and digital investment.

Risks and wins



February 2026

Forecast 2026:

GDP: 2.6%
Core PCE Inflation: 2.8%

Forecast 2027:

GDP: 2.1%
Core PCE Inflation: 2.3%

EUROZONE

Europe's response to the US Supreme Court ruling on IEEPA tariffs remains cautious but assertive. Brussels has paused ratification of a recent trade agreement between the European Union and the US and is demanding "full clarity" from Washington on its tariff authority, warning that unpredictability in US tariff policy undermines a stable transatlantic framework. In the real economy, the Eurozone's private sector showed renewed vigour in February with the flash composite purchasing managers' index (measuring services and manufacturing confidence) climbing to 51.9, registering the 14th consecutive month of expansion, led by a pick-up in Germany. German business sentiment also improved, with the ifo Business Climate Index rising to 88.6, signalling a tentative recovery. France, by contrast, remains near stagnation, underscoring regional differences. Trade uncertainties and uneven growth temper optimism as policymakers weigh risks to investment and inflation.

Forecast 2026:

GDP: 1.1%
Inflation: 2.3%

Forecast 2027:

GDP: 1.4%
Inflation: 2.1%

JAPAN

Japan's earlier accord, capping duties at 15% in exchange for US\$550 billion of investment in America, remains intact. Officials insist commitments will be honoured, though firms must decipher procedural changes and the residual risk of renewed protectionism. At home, Prime Minister Sanae Takaichi has consolidated her authority. The Liberal Democratic Party, together with its coalition partner, the Japan Innovation Party, captured 352 seats in the election on 8 February, delivering a supermajority and smoothing the path for defense reforms and fiscal support. In a Diet address on 20 February, she reaffirmed plans for proactive spending to strengthen resilience and competitiveness. Economic activity remains pedestrian, however. Fourth-quarter GDP grew at a 0.2% annualised pace, narrowly avoiding contraction, while January inflation slipped to a two-year low, easing pressure on households but complicating the central bank's normalisation plans.

UNITED STATES

A six-to-three Supreme Court decision on 20 February held that the International Emergency Economic Powers Act (IEEPA) does not authorise presidents to impose tariffs. This ruling invalidated United States (US) President Donald Trump's emergency levies, potentially opening the door for up to US\$175 billion in tariff refunds to importers, according to estimates by the Penn-Wharton Budget Model. In response, the administration has pivoted to a 15% global surcharge (adjusted upward from an initial 10%) under Section 122 of the Trade Act. However, sustaining protectionist pressure faces significant legal and procedural hurdles, as this rate is legally permitted to remain in effect for only 150 days, starting 24 February. *Global Trade Alert* calculates that the new effective trade-weighted tariff rate has dropped to 13.2%, down from 15.3% before the ruling. Regarding the real economy, growth slowed sharply to an annualised 1.4% in the fourth quarter of 2025, missing the 3% consensus expectation. Following the shutdown, federal spending saw its steepest decline since 1972.

Forecast 2026:

GDP: 1.2%
HICP Inflation: 1.8%

Forecast 2027:

GDP: 1.4%
HICP Inflation: 1.9%

UNITED KINGDOM

Britain's trade relationship with the US faces renewed uncertainty. Questions have arisen over how the 15% interacts with the previously negotiated 10% preferential ceiling under the Economic Prosperity Deal between the United Kingdom (UK) and the US. The UK has signalled it does not expect the agreement to unravel, particularly in sensitive sectors such as steel and autos, but officials stress that "nothing is off the table" should the new measures erode negotiated terms. For exporters, the problem is policy opacity. The economic implications are manageable but not trivial. The US absorbs roughly 15% of UK goods exports. As such, any effective tariff creep would squeeze margins in autos, pharmaceuticals and machinery, dampen investment intentions and weigh modestly on 2026 growth. A stronger dollar offers some currency cushion, but prolonged trade uncertainty could shave a few tenths off UK GDP if business confidence falters. Politically, Prime Minister Keir Starmer's net approval remains near negative 47 (YouGov), leaving limited room for missteps.

Forecast 2026:

GDP: 0.9%
Inflation: 1.8%

Forecast 2027:

GDP: 0.9%
Inflation: 2.0%



CHINA

Beijing will view the February ruling by the US Supreme Court as a tactical reprieve in a long economic duel. By striking down tariffs imposed under the IEEPA, the court dismantled a central plank of unilateral American trade pressure. Average US duties on Chinese goods are set to fall from roughly 36% to about 27%, as a flat 15% Section 122 levy replaces steeper, country-specific rates. Fentanyl-related tariffs, which are an additional 10% imposed across the board since February 2025, have also been invalidated, trimming costs for exporters and restoring some price competitiveness. China is wasting little time in capitalising on the optics. Officials are casting the judgment as vindication of their claim that Washington strayed beyond legal bounds, while courting middle powers as a supposed champion of rules-based commerce. Nevertheless, the reprieve is partially countered by the fact that product-specific tariffs on steel, aluminium, semiconductors and pharmaceuticals remain firmly in place.

Forecast 2025:

GDP: 4.3%
Inflation: 2.6%

Forecast 2026:

GDP: 4.2%
Inflation: 2.7%

Forecast 2026:

GDP: 4.6%
Inflation: 0.5%

Forecast 2027:

GDP: 4.5%
Inflation: 0.8%

EMERGING MARKETS

The US Supreme Court decision pared back a layer of trade uncertainty that had clouded manufacturing hubs globally. Average US duties on Indian goods, including a rate above 20% on some engineering products and textiles, are expected to drift toward the mid-teens under the new 15% Section 122 levy. Brazil is likely to benefit the most, with effective rates falling from roughly 22% to 16%, lending support to steel, iron ore and agricultural exports, though sector-specific tariffs remain in force. Mexico, meanwhile, will gain from the removal of fentanyl-linked surcharges, aiding autos and electronics, even as North American Free Trade Agreement carve-outs face scrutiny. Indonesia and Turkey are in the meantime positioning for second-round effects. Indonesia hopes to capture incremental orders in apparel, footwear and nickel processing as multinationals diversify supply chains beyond China. Turkey, already a hub for white goods and automotive components entering Europe and America, is pitching itself as a near-shore alternative, though both remain exposed to lingering sector-specific US tariffs on metals.

Forecast 2026:

GDP: 1.6%
Inflation: 3.2%

Forecast 2027:

GDP: 1.9%
Inflation: 3.2%

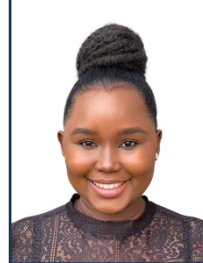
SOUTH AFRICA

South Africa's (SA) 2026 national budget leaned on an unexpected revenue dividend to buffer infrastructure spending. Treasury now expects a gross tax revenue windfall of R21.3 billion in the current fiscal year, reflecting stronger-than-anticipated corporate and value-added tax receipts and improved compliance in collections. Rather than financing new permanent recurrent spending, much of the upside was directed toward expenditure on critical infrastructure, particularly in water and transport. Treasury's growth assumptions remained cautious. Real GDP is projected to edge higher to 1.8% by the end of the medium-term expenditure framework (MTEF), supported by firming household spending, easing energy constraints and some improvement in external demand, though structural bottlenecks continue to cap potential output. Treasury expects inflation to stabilise closer to 3.2% by the end of the MTEF, allowing modest relief on debt-servicing costs. The consolidated budget deficit is expected to narrow to 3.1% of GDP by fiscal year 2028/29, with the primary balance remaining in surplus, and public debt projected to stabilise at 78.9% of GDP in the current fiscal year, before edging lower later in the forecast horizon. Credit rating agencies are likely to take note of the improved revenue trajectory and a clearer fiscal deficit path. We expect Fitch and Moody's to follow S&P Global Rating's November 2025 upgrade to SA's sovereign rating in due course. However, investment-grade status remains distant without stronger growth and structural reform to contain persistent expenditure pressures and high debt-service costs.

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