



10th Anniversary of the NWU Business School Policy Uncertainty Index (PUI) 2Q 2026



EMBARGOED UNTIL:

THURSDAY, 2 JULY 2026

EXECUTIVE SUMMARY

- Not unexpectedly, in the light of recent negative geopolitical developments in the Middle East, the second quarter 2026 PUI rose to 81.9 from 77.8 in first quarter 2026, thus moving further into negative territory for now (baseline 50). The recent Memorandum of Understanding (MoU) between the US and Iran has been a positive factor for the world economy, but it came too late in the second quarter to make a real difference
- In the meantime, authoritative forecasts of the global economic outlook have weakened considerably since the start of the Middle East in February 28, with growth, inflation and supply chain effects likely to be felt for some time. Even favourable developments, such as successful negotiations and the opening of the Strait of Hormuz as a result of the US-Iran MoU - as well as lower global oil prices - will take time to unwind the damage that the latest global energy crisis has done to the world economy
- The Organisation for Economic Cooperation and Development (OECD) see global GDP growth easing to 2.9% this year from 3.4% in 2025, with a slight recovery to about 3.1% in 2027. The OECD's global headline inflation presently stands at about 4.4%, but for emerging markets the average is expected to be approximately 6% in 2026
- There are growing signs that some central banks, in wanting to keep inflationary expectations anchored, no longer have a 'wait-and-see' attitude to the supply-side shocks hitherto experienced, and have begun to raise interest rates. These include the European Central Bank, the Bank of Japan, and the SARB. The message from the recent US Fed gathering was that it may also increase rates at its next meeting in September, if current inflationary trends there persist
- The continued uncertainty surrounding the global energy crisis and its inevitable consequences - for growth, inflation, interest rates and business confidence - also began to weigh on South Africa's domestic economic activity. South Africa felt the economic pain of much higher fuel prices and emerging inflation in the second quarter of 2026
- The SARB's Monetary Policy Committee (MPC) decided, by a majority vote on May 28, to raise interest rates by 25 bps as a preventive measure against future 'second round effects' of inflation emerging in the domestic economy. Factory gate inflation rose by 7.8% in May. The MPC also lowered its growth forecasts for the next two years. The SARB's leading business cycle indicator declined by 1.8% in April 2026
- On the positive side, two major rating agencies recently issued favourable reports on South Africa's investment rating and economic outlook. They signalled that the country has the potential to lift its growth rate higher, and reduce its public debt faster, if it continues to do the right things on economic policy
- As the key to sustained future job-rich growth, gross fixed capital formation remains the Achilles heel of South Africa's economic performance. Total fixed investment needs to be a much higher percentage of GDP than at present. Investor confidence must continue to be nurtured through accelerating the pace of growth-friendly policies and projects
- The outcome of the 2Q 2026 PUI may well therefore be seen as a contest between external geopolitical uncertainty, on the one hand, and offsetting domestic economic success and resilience, on the other, as the economy moves into the second half of 2026. The appropriate response remains measured preparedness, credible policy and coordinated action.

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THE NWU BUSINESS SCHOOL POLICY UNCERTAINTY INDEX ROSE TO 81.9 in 2Q 2026 FROM 77.8 IN 1Q 2026 (BASELINE 50), THUS MOVING FURTHER INTO NEGATIVE TERRITORY

“Among the FUNDAMENTAL structural reform items is POLICY CERTAINTY. Simple but fundamental to the investor community. Remember that you cannot force people to invest, but you can create an environment which makes it easier to invest, create jobs and, hey presto, develop the country” (former Finance Minister Tito Mboweni, 16/12/2021)

1. INTRODUCTION

As outlined when the PUI was launched in early 2016, the role of policy uncertainty has loomed large in much of the recent economic debate in SA. It is seen to have important implications for business confidence and the investment climate in the country. Hardly any recent economic assessment or media release from international or local financial institutions, business lobbies, economic analysts, financial journalists, or credit rating agencies appears without the inclusion of the words 'policy uncertainty' occurring in them.

The design of a policy uncertainty index for SA has nonetheless been spurred not only by economic circumstances in the country but also by the increasing academic and policy interest globally around the cause, effect, measurement, and definition of policy uncertainty. There is now a 'World Uncertainty Index' (WUI) created recently by the IMF and Stanford University to calibrate rising levels of policy uncertainty in the global economy.

There have been many manifestations of policy uncertainty in SA over the years. The institutional setting and policy-making environment clearly influences the extent to which negative shocks and developments lead to bad outcomes and tough policy challenges. It seemed that the time had arrived to craft a more accurate measurement of this recurrent factor in SA's economic outlook. A deeper understanding of how uncertainty 'shocks' affect the SA economy helps policymakers to assess how future shocks will impact markets and business. The outcome of this research will now be made regularly available on a quarterly basis to hopefully fill a gap in our monitoring of the economic environment.

Interesting correlations have been found between the policy uncertainty index and economic outcomes. Empirically, it shows that when economic policy uncertainty is strongly present in the environment, it indeed lowers investment, employment, and output. High levels of such policy uncertainty inhibit meaningful investment and consumption. Elevated policy uncertainty in many countries contributes to sluggish growth. Economic policy uncertainty then has actual consequences for the economy.

The PUI is published quarterly. An increase beyond 50 reflects heightened policy uncertainty; a decline in the PUI means reduced uncertainty. The value of the PUI as a proxy for policy uncertainty will lie in tracking changes in policy uncertainty over time.

2. PUI RESULTS FOR 2Q 2026 – WHAT DO THEY SAY?

The PUI is expressed as a *net* balance - the index is the *net* outcome of *positive* and *negative* factors influencing the calibration of policy uncertainty over the relevant period. The results show that the 2Q 2026 PUI at 81.9 rose from the 1Q 2026 PUI of 77.8 and remained well in negative territory.

Unpacking the three elements constituting the latest PUI shows the following:

- i. The *media data* reflected higher references to uncertainty levels
- ii. The *survey of economists* considered policy uncertainty to be further elevated, especially for consumers
- iii. The University of Stellenbosch's Bureau for Economic Research *survey of manufacturers* experiencing policy/political uncertainty rose from 71 to 74

3. NARRATIVE ON FACTORS INFLUENCING ECONOMIC/POLICY UNCERTAINTY

3.2.1. Global Economic Outlook

The geopolitical developments in the Middle East continue to shape the global economic outlook. According to a recent Organization for Economic Cooperation and Development (OECD) survey, the global economy entered 2026 with robust momentum and economic confidence. But the outlook has weakened considerably since the start of the conflict in the Middle East - with effects likely to be felt for some time, says the OECD. Global economic growth is likely to be negatively affected.

The OECD sees global GDP growth easing to 2.9% this year from 3.4% in 2025, with a slight recovery to about 3.1% in 2027. Growth is set to slow modestly in North America and Europe before a tentative recovery next year. The US will grow at about 2% in 2026 and 1.8% in 2027, while growth in Europe is also projected at 1.8% next year. China will moderate to 4.5% in 2026 and 4.3% in 2027.

The US-Iran "Memorandum of Understanding" (MoU) signed on June 19 nonetheless came as a tangible relief to the world economy. As the MoU is temporary and fragile in nature, it is still fraught with uncertainties and conditionalities. However, it does create an opportunity over time to normalize the geoeconomic situation in general and global supply chains in particular. The global oil price has already responded positively to the potential of the MoU. However, coming late in the second quarter of 2026, the extended sixty-day cease fire arrangement does not automatically yet invalidate the global trends to date.

The highly uncertain situation to date has already clearly tested global economic resilience,

and new shocks may yet come in different shapes and sizes over the next few months. Despite short-term mitigation measures taken by many countries, most oil-importing economies have experienced severe economic pain. The most vulnerable economies have not just been those that need imported oil, but those that cannot easily absorb a big jump in oil, freight, food, and financing costs simultaneously.

The OECD's global headline inflation stands at 4.4%, but for emerging markets, the average is expected to be about 6%. Persistent inflationary pressure has been projected across most emerging markets, driven by recent energy shocks, elevated commodity prices, and stubborn services inflation. Most central banks have, up to now, adopted a 'wait-and-see' stance regarding the supply-side shocks economies are experiencing before deciding to raise interest rates.

Earlier, IMF Managing Director Kristalina Georgieva - while urging central banks to be vigilant about emerging inflation - warned them against 'knee-jerk' interest rate hikes. But now there are growing signs that inflation trends in several economies are approaching a threshold at which their central banks believe a monetary policy response is necessary. In these circumstances, central banks seek to ensure that inflation expectations remain as anchored as possible.

The European Central Bank (ECB), the Bank of Japan, and the SARB have recently raised interest rates. With the latest robust employment figures and signs of rising inflation in the US economy, markets are beginning to price in the possibility that the US Fed will also raise borrowing costs before the end of 2026. At its meeting on June 17, the US Fed left interest rates unchanged for now. Nonetheless, the new Fed chair - Kevin Warsh - in his statement constantly emphasized the Fed's commitment to "price stability". It opens up the possibility that, given existing US inflationary trends, there may be a rate hike there before the end of 2026.

Then there was the ongoing AI boom, with the dramatic SpaceX IPO on June 12. Since then there has been a correction in tech stock prices. The AI boom has driven unprecedented investment into technological infrastructure. But analysts have raised a number of red flags about the market vulnerabilities that have been created. These include severe market concentration, highly leveraged investment, and excessive market expectations. The IMF has also warned that the AI boom resembles the late-1990s internet 'bubble', with its concomitant risks.

What are the economic prospects for Sub-Saharan Africa (SSA)? The IMF has marginally reduced the region's GDP growth to 4.3% in 2026, compared to 4.5% in 2025. While the region is benefiting from its recent hard-won stabilization gains, renewed headwinds from the

Middle East conflict - especially higher fuel, shipping, and fertilizer costs - have clouded the immediate outlook. The downside risks remain significant for now.

3.2. South African Economic Outlook

3.2.1. Balance between positive and negative factors influencing 2Q 2026 PUI (baseline 50)

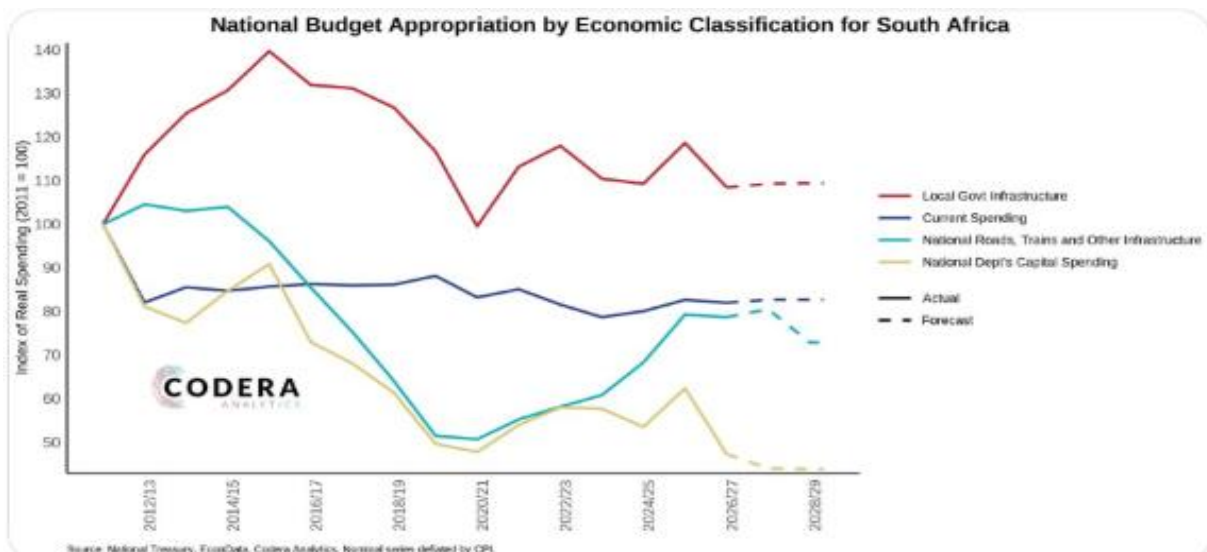
Not unexpectedly, in light of the recent economic impact of the global energy crisis, the second quarter 2026 PUI rose to 81.9 from 77.8 in first quarter 2026, thus moving further into negative territory. The Q2 PUI was strongly influenced by the immediate shock stemming from the global energy crisis and Middle East disruptions, with worldwide negative consequences for growth, inflation, and supply chains, including the South African economy. The MoU between the US and Iran came too late in the second quarter but for now is a positive factor for the economy.

On the positive side, Moody's recently moved South Africa's sovereign credit outlook to positive from stable. It was the first time the agency had issued a positive rating for the country since 2007. This reflects increased confidence in South Africa's economic projections as forecast by Moody's. In June, Fitch Ratings upgraded South Africa's long-term foreign and local currency rating to 'BB' from 'BB-'. This also marks the first upgrade from the agency over two decades of monitoring and evaluating the economy. They signal that South Africa has the potential to lift its economic growth rate higher and reduce its public debt faster – if the country continues to do the right things on economic policies.

The better-than-expected GDP growth of 0.5% in the first quarter of 2026 showed that the economic recovery apparent last year continued into early 2026. While still low by emerging-market standards, it confirmed that, early in 2026, the South African economy was moving modestly in the right direction. The sectors that contributed positively to better GDP growth - such as mining and agriculture - outweighed the negative ones, like manufacturing and fixed investment. Household spending, while under pressure, also remained a positive driver of growth in the first quarter of 2026.

But gross fixed capital formation, the key to sustained future job-rich growth, at negative percentage, remains the Achilles heel of South Africa's economic performance. Fixed capital investment needs to be a much higher percentage of GDP than at present. Ideally, if the GNU's growth target of 3.5% is to be achieved, total fixed investment needs to be closer to 20% of GDP, rather than about 14% at present. Investor confidence must continue to be nurtured through accelerating the pace of growth-friendly policies and projects, such as through Operation Vulindlela.

A Codera analysis (June 16) shows that certain forms of government infrastructure spending have declined dramatically since 2011, particularly national department capital spending and national expenditure on roads, trains and other infrastructure.



In the meantime, in the second quarter of 2026 the economy felt the economic pain of much higher fuel prices and emerging inflation. High-frequency data from the second quarter of this year already provided evidence of the initial negative economic impact. The SARB's leading composite business cycle indicator declined by 1.8% in April 2026. Factory gate inflation rose higher than expected by 7.8% in May. South Africa will be lucky to escape with a minor setback to growth and a temporary surge in inflation this year. If the US-Iran MoU holds and global oil prices stay low, it is possible that the outlook by the end of 2026 may be a little better than previously expected.

On the monetary policy front, by a 4-2 vote, the SARB's MPC on May 28 raised interest rates by 25 bps as a preventive step against future inflation in the economy. The MPC judged its majority decision to be a precautionary measure against 'second round effects' developing from the supply-side shock of the global energy crisis and higher fuel prices. The MPC has lowered its growth forecasts for the next two years and sees downside risks to economic growth, given current economic conditions.

With key local elections on November 4, which many analysts believe could have national consequences, policy continuity matters in calibrating the PUI. If the GNU continues to function with reasonable coordination and consensus, it offers reassurance to business that no major policy rupture is imminent, growth-oriented structural reforms are on track, and the macroeconomic policy framework remains broadly predictable. Political stability and policy certainty are the twin main pillars on which investor confidence continues to rest.

The goal must ultimately be to see the PUI gradually move out of negative territory. To the

extent that this depends, not only on geoeconomics, but also on domestic policies and projects, South Africa has resilience and economic buffers that can improve its economic performance. The economy must therefore break out of its narrow 1-2% growth corridor.

Despite progress to date, persistent concerns about:

- logistical bottlenecks
- municipal dysfunction
- crime and corruption
- infrastructural decay
- migration issues
- and regulatory burdens

continue to pose obstacles to greater policy certainty and much higher fixed capital formation.

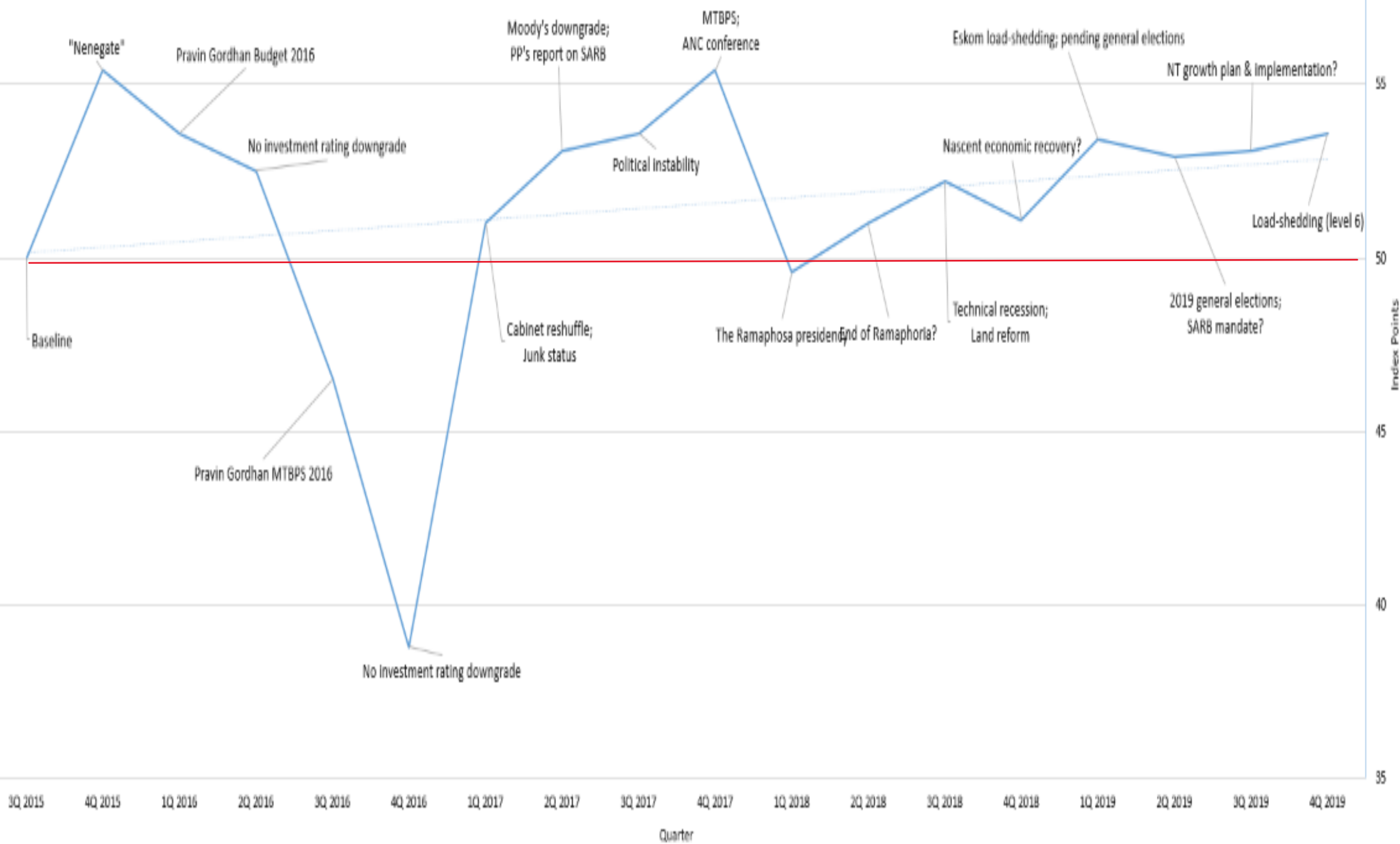
3.2.2 Summary and Conclusion

The 2Q 2026 PUI suggests that elevated policy uncertainty will remain until the negative external shocks have been fully dissipated and the geopolitical outlook is indeed stabilized in the months ahead. Domestic policy choices, nonetheless, exist to help sustain South Africa's economic performance later in 2026, amid whatever global headwinds may still stem from ongoing geopolitical uncertainty.

As the economy moves into the second half of 2026, the calibration of the 2Q 2026 PUI outcome may, for now, therefore be seen as a contest between external geopolitical uncertainty, on the one hand, and offsetting domestic policy success and economic resilience, on the other. The appropriate response remains measured preparedness, credible policy and coordinated action.

North-West University Business School
2 July 2026

NWU Business School Policy Uncertainty Index (2015-2019)



NWU Business School Policy Uncertainty Index (2020-2026)

