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Economic Review

September 2026



Sanlam

Investments



The US Federal Reserve (US Fed) raised its benchmark interest rate for the first time since 2023, underscoring its continued focus on controlling inflation and maintaining price stability. The Bank of Japan (BOJ) increased its benchmark rate in September to its highest level since 1995 as it continued its gradual shift away from decades of ultra-accommodative monetary policy. Chinese President Xi Jinping and US President Donald Trump met at the White House, marking the second in an exchange of reciprocal presidential visits within six months. China's economy slowed notably in the second quarter of 2026, while Eurozone inflation rose to 3.8% in September, the highest reading since September 2023. The South African Reserve Bank (SARB) increased the repo rate by 25 basis points at its September meeting, in line with market expectations.

US Fed raises rates despite Trump's call for cuts

The US Fed increased its benchmark interest rate by 25 basis points, bringing the target range to 3.75%–4%, as policymakers continue to grapple with stubbornly high inflation. The increase, the first since 2023, signals the central bank's ongoing commitment to restoring price stability, even though higher rates may raise

borrowing costs across the economy. Fed Chair Kevin Warsh supported the decision, stating that inflation has remained elevated for an extended period. Despite repeated calls from President Trump for lower interest rates, the Fed opted to tighten monetary policy to maintain its independence and in line with its dual mandate of promoting maximum employment and maintaining price stability.

US federal funds target rate

July 2000 - September 2026



Source: Federal Reserve Bank of New York



In announcing the rate hike, the Fed noted that the US economy continued to grow at a healthy pace, although inflation remained above its desired level. The central bank remains committed to returning inflation to its long-term target of 2%. While higher interest rates are a key tool for curbing inflation, they can also increase borrowing costs for households and businesses. As a result, consumers already facing higher living costs may face additional financial pressure from more expensive loans and credit.

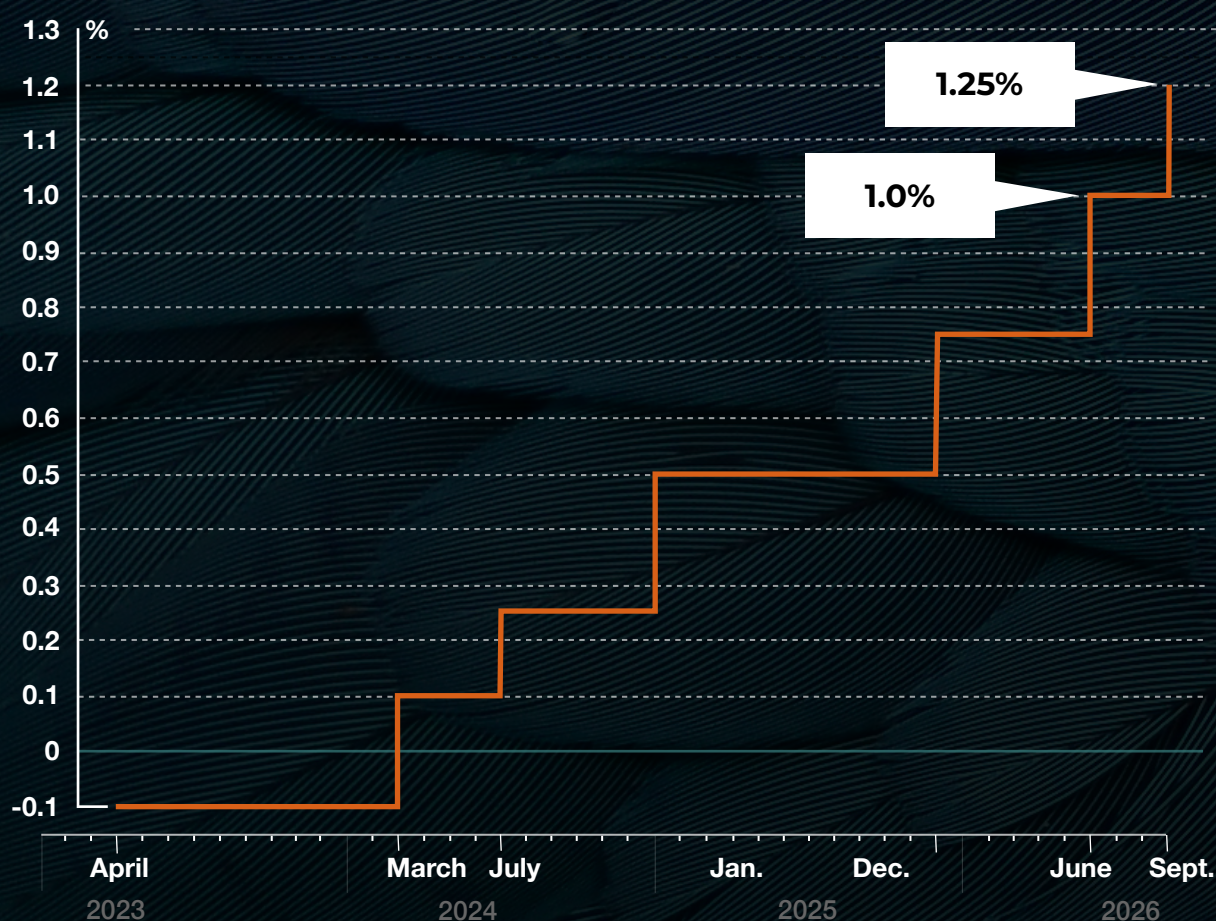
The Fed's decision comes as inflation has drifted further from its target, with annual headline inflation reaching 3.4% in August. Rising energy prices have also raised costs for consumers. Policymakers have signalled that further tightening may still be necessary. According

to Reuters, 16 of the 18 Fed officials who submitted projections expect at least one more 25-basis-point rate increase before the end of 2026. The central bank now expects inflation to return to its 2% target only in 2029.

BOJ raises rates for September

Japan's central bank raised its benchmark interest rate from 1% to 1.25% in September, its highest level since 1995, as it continues to unwind decades of ultra-loose monetary policy. The move follows a broader global trend of policy tightening, with both the US Fed and the European Central Bank (ECB) also raising interest rates in response to inflationary pressures, including higher energy costs linked to the Iran conflict.

Bank of Japan's policy interest rate



Source: The Japan Times



Since ending its negative interest rate policy in 2024, the BOJ has lifted rates six times, steadily moving toward levels more in line with those of other major economies. Higher interest rates generally support a country's currency by increasing its appeal to investors, prompting analysts to note that one of the world's last sources of ultra-cheap money is gradually disappearing.

The decision comes as Japan contends with a weak yen, rising living costs and demographic challenges. Although core inflation eased slightly to 1.7% in August, it remains close to the BOJ's 2% target. Japan is particularly vulnerable to higher energy prices and supply chain disruptions in the Middle East because it relies heavily on imported energy, while currency weakness has placed further pressure on the economy.

Trump-Xi meeting in September

Chinese President Xi Jinping and US President Donald Trump met at the White House in September, marking an unprecedented exchange of presidential visits within six months. Xi said the two leaders had agreed earlier in the year to pursue a more stable and constructive bilateral relationship, with cooperation as the primary focus, competition managed responsibly, and differences handled through dialogue. He emphasised that greater

trust and collaboration between the two countries could deliver mutual benefits and contribute to global stability.

Xi welcomed progress made during recent economic and trade discussions, describing the latest agreements as positive for both countries and the global economy. He noted that continued cooperation, grounded in mutual respect and shared interests, remains the best way to resolve differences and strengthen economic ties. Xi highlighted the potential for both competition and collaboration on artificial intelligence (AI), calling for ongoing dialogue, cooperation on governance, and safeguards to ensure AI is developed and used responsibly.

The discussions also covered Taiwan and a range of international issues, including the Middle East, Ukraine and the Korean Peninsula. Trump praised Xi's visit and expressed confidence in the future of US-China relations, while supporting continued engagement on trade and AI. The two leaders agreed to support each other's efforts in hosting the 2026 APEC Economic Leaders' Meeting and G20 Summit.



For your interest:

1. US labour market falters in September

- US nonfarm payrolls rose by a seasonally adjusted 29 000 in September, while the unemployment rate increased to 4.2%, the Bureau of Labor Statistics reported. Economists surveyed by Dow Jones expected jobs to grow by 84 000 and an unemployment rate of 4.1%.
- The August jobs count was revised lower to reflect a gain of 133 000, while July's figure switched from a gain to a loss as payrolls fell by 10 000. The revisions in total showed 60 000 fewer jobs than previously reported.

(Source: CNBC, September 2026)

2. China's economy slows in Q2 2026

- The Chinese economy slowed significantly in Q2 2026 to 4.3% after surging to 5% in Q1. July and August data further confirmed the slowdown trend extended into Q3. The slowdown is mostly domestic, driven by domestic risks: a supply-demand structural mismatch, weak consumption sentiment, a housing market crash, a deflationary environment, etc.
- Strong supply and weak demand persist. On the supply side, China is shifting from a focus on manufacturing output to becoming a manufacturing powerhouse and advancing its "anti-involution" campaign to address overcapacity in the new energy sector, the platform economy and real estate. On the demand side, sluggish retail sales, particularly car sales, are due to the fading effect of national subsidies and weak sentiment since 2021.

(Source: BBVA Research, September 2026)

3. Eurozone inflation rises in September

- Eurozone inflation climbed to 3.8% in September, its highest level since September 2023, from 3.2% in August, according to a flash estimate from Eurostat. Month on month (m/m), prices rose 0.6% from August. Energy led the acceleration, with its annual rate surging to 18.8% from 14.3% in August – a level not seen since January 2023.
- Core inflation, which excludes energy, food, alcohol, and tobacco, ticked up one tenth of a percentage point to 2.5%. Markets had anticipated a 3.6% headline reading and 2.5% core. The September headline print is almost double the ECB's 2% target.

(Source: Yahoo Finance, September 2026)

4. SARB raises rates at its September meeting

- The SARB raised the key repo rate by 25 basis points to 7.25% at its September meeting, as widely expected, citing the need to bring inflation back towards its target. The decision was unanimous, reflecting upside risks to inflation and downside risks to economic growth.
- Consumer price inflation edged up to 4.4% in August from 4.3% in July, remaining close to the midpoint of the Reserve Bank's 3%–6% target range. Policymakers said headline inflation is likely to rise above 5% later this year and in early 2027, driven by higher fuel prices, before slowing as the fuel-price shock recedes.

(Source: Trading Economics, September 2026)



SA economy contracts in September

South Africa's private sector economy contracted in September for the first time in three months, with the S&P Global South Africa PMI falling to 49.0 from 50.5 in August, signalling deteriorating business conditions. Businesses reported weaker demand, supply chain disruptions and rising uncertainty about both domestic and global economic conditions, resulting in reduced activity and the sharpest decline in new orders in two-and-a-half years. Export demand, however, remained supportive, with export orders increasing for the fourth consecutive month.

Higher fuel prices placed additional pressure on businesses, pushing up input costs and prompting firms to raise prices at the fastest pace since June. Supply

chain challenges intensified, with longer supplier delivery times, congestion at the Port of Durban and disruptions linked to the Middle East conflict contributing to shipment delays and material shortages.

While companies scaled back purchasing activity and inventories in response to weaker demand, employment levels remained broadly stable. Despite the current slowdown, business confidence improved to a four-month high, with firms expressing optimism that easing supply constraints and lower fuel costs could support stronger demand and output growth over the coming year.



Market overview

Periods up to 30 September 2026	Dividend / Yield	1 month	3 months	6 months	YTD	1 year	3 years	5 years	10 years	15 years
ALL SHARE (ZAR)	4.08	-5.82%	-0.27%	-2.63%	-3.22%	4.62%	18.68%	15.29%	11.50%	12.75%
ALL SHARE (\$)		-7.34%	-0.31%	1.66%	-2.20%	10.08%	24.30%	13.32%	9.53%	7.51%
RESOURCES	4.70	-9.34%	15.16%	-6.35%	1.19%	11.60%	29.11%	19.46%	18.69%	10.61%
INDUSTRIALS	3.56	0.46%	-0.41%	4.34%	3.30%	9.98%	2.66%	3.07%	0.63%	5.13%
FINANCIALS	4.75	-3.66%	-3.74%	3.93%	3.77%	23.41%	21.72%	16.89%	9.70%	12.83%
ALL BOND (ZAR)	9.06	0.01%	-0.68%	7.13%	3.54%	12.82%	17.68%	12.14%	10.31%	9.54%
BONDS 1-3 YEARS	7.53	0.47%	1.92%	4.05%	4.71%	7.32%	9.56%	8.14%	8.25%	7.75%
BONDS 3-7 YEARS	8.43	-0.07%	0.25%	5.12%	2.81%	7.90%	13.45%	10.16%	9.92%	9.20%
BONDS 7-12 YEARS	8.90	-0.21%	-0.71%	7.35%	3.25%	12.72%	19.12%	13.12%	11.15%	10.15%
BONDS 12+ YEARS	9.35	0.20%	-1.47%	8.76%	4.32%	17.95%	21.99%	14.02%	10.89%	10.08%
S&P South Africa Sovereign ILB 1+Y Index	2.53	0.69%	1.45%	8.10%	6.73%	15.64%	12.04%	9.27%		
STEFI Composite (ZAR)		0.56%	1.72%	3.41%	5.13%	6.97%	7.77%	7.08%	6.75%	6.50%
DOW JONES (\$)		-4.12%	-2.34%	10.72%	7.19%	11.50%	17.01%	10.58%	13.10%	13.31%
FTSE (£)		-1.88%	2.44%	7.25%	9.83%	16.84%	15.46%	10.96%	8.12%	9.09%
MSCI WORLD (\$) - MSCI		-1.19%	1.88%	15.89%	11.75%	15.24%	21.40%	11.89%	12.81%	12.42%
MSCI EMERGING MARKET (\$) - MSCI		-0.50%	-0.24%	23.85%	23.73%	29.65%	24.68%	9.36%	9.30%	7.22%
S&P 500		-0.35%	2.30%	17.85%	12.73%	15.72%	22.86%	13.76%	15.31%	15.66%
Euro Stoxx 50 (€)		-2.22%	-0.63%	14.95%	10.95%	16.65%	18.05%	12.66%	11.03%	10.94%
Nikkei 225 (¥)		1.22%	-4.15%	31.61%	34.41%	50.74%	30.00%	19.77%	16.94%	16.51%
RAND vs US\$		-1.62%	-0.04%	4.40%	1.06%	5.22%	4.74%	-1.71%	-1.76%	-4.64%
RAND vs EURO		0.61%	0.62%	5.90%	4.49%	8.85%	2.31%	-1.31%	-1.86%	-3.57%
RAND vs GBP		0.41%	-0.13%	3.63%	2.32%	6.63%	1.82%	-1.41%	-1.97%	-3.63%



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