



## ECONOMIC COMMENTARY

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### THE WAR THAT JUST EXPOSED SA'S REAL ECONOMIC PROBLEM

For years, the world told itself a soothing story. Oil was the old economy. Artificial intelligence (AI) was the new one. Tankers, pipelines, and shipping lanes belonged to a fading industrial age, while chips, data centres, and algorithms belonged to the future. The Iran war has exposed how false this story was. The future still runs through narrow sea lanes, vulnerable energy systems, and geopolitical fault lines that markets prefer to treat as distant background noise. That is why this is not merely another oil story. Yes, the Strait of Hormuz matters because about one-fifth of the world's oil and liquefied natural gas moves through it. Yes, oil has surged above \$110 a barrel as traders price in disruption. Yes, major banks have lifted their forecasts because they expect the market to stay tighter and more anxious for longer. But the deeper lesson is that a system built for efficiency can become dangerously fragile the moment a single chokepoint is threatened.

The economic chain reaction is wider than many investors still seem willing to admit. Higher oil prices lift transport, insurance, and freight costs. Food flows start to wobble. Shipping patterns distort. Then capital markets feel it. The Gulf states are not just energy producers; they have become an important source of global liquidity. If more of this capital is pulled inward to deal with domestic strain, the rest of the world loses a crucial funding cushion at exactly the wrong moment, when debt issuance is already heavy, and borrowing costs are uncomfortably high.

And then there is the market's favourite fantasy: The idea that AI somehow floats above the physical economy. It does not. Taiwan and South Korea remain central to the semiconductor chain, yet both depend heavily on imported energy and industrial inputs exposed to disruption in the Gulf. Data centres, meanwhile, are massively power-hungry, and, in the United States, a large share of planned on-site power is tied to natural gas. Strip away the glamour and the conclusion is almost embarrassingly simple: Silicon still needs ships, fuel, and stable trade routes.

For South Africa (SA), the lazy version of this story begins and ends with the fuel price. This story misses the point. The real danger is that a global shock is landing on an economy that is already brittle. We are a net energy importer. The rand has already come under pressure as oil surged, and analysts have warned that the recent return of inflation to the South African Reserve Bank's (SARB's) 3% target may prove temporary as the war's effects feed through. The SARB has already said that it is redrawing its adverse scenarios for this week's policy meeting because the Middle East shock has changed the inflation outlook.

That changes the rate conversation. A few weeks ago, many households and businesses were still hoping for a gentler path lower. Now the risk has shifted. On current oil, currency, and inflation dynamics, the question is no longer only whether cuts will be delayed; it is whether the SARB may ultimately have to raise rates instead. That would not be because SA suddenly became reckless overnight. It would be because global energy shocks do not ask whether your economy is ready. They simply expose whether it is resilient. This is an implication from the inflation and market repricing now underway, and it is a serious one.

SA's deepest problem is, therefore, not that the world is volatile. The world has always been volatile. Our problem is that we built too little resilience while hoping for calmer weather. Economies with strong logistics, credible public finances, reliable energy, and policy room can absorb external blows. Economies with weak growth, strained consumers, fiscal pressure, and infrastructure bottlenecks absorb the same blows far worse. The next decade may not belong to the countries with the cleverest slogans about innovation. It may belong to those with the duller, but more important, virtue of resilience. And SA, frankly, still has too little of it.

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