



ECONOMIC COMMENTARY

Dr. Francois Stofberg

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*For every one to attain
financial well-being*

THE NEW SUPERPOWER TEST: WHO IS TRUSTED WHEN FEAR RISES?

The world keeps asking whether China will replace the United States (US) as the next superpower. That is the wrong question. A better one is more brutal: When the world is afraid, whose money does it still trust?

When it comes to factories, exports, electric vehicles, batteries, and rare earth elements, China has already changed the global economy. It is too large to ignore and too embedded to isolate. Yet, in finance, it remains strangely small. Data from the International Monetary Fund (IMF) for the fourth quarter of 2025 still puts the US dollar at about 57% of global foreign-exchange reserves. The renminbi, in turn, remains below 3%. Swift's RMB Tracker shows the same imbalance in global payments. China may be the workshop of the world, but the world still does not treat its currency as a shelter.

This distinction matters. A reserve currency is not just a trade convenience. It is a vote of confidence in a country's institutions, courts, markets, convertibility, and political restraint. This is why the dollar survived so many US mistakes. Washington can run large deficits, fight trade wars, weaponise sanctions, and still borrow in the currency the world wants to hold. That is not normal privilege; it is a financial empire.

China's problem is that it wants the power of an open financial system without fully accepting the vulnerability that comes with it. Capital controls protect Beijing from destabilising outflows, but they also tell global investors something important: Your money is welcome, but not entirely free. That may work for a development model built on industrial direction and domestic savings. It does not work as the foundation for global monetary leadership.

The latest Chinese data make the issue sharper. April industrial production rose only 4.1% year-on-year, while retail sales barely grew at 0.2%. Fixed-asset investments fell 1.6% in the first four months of 2026. Strip away the diplomatic language and the picture is clear: China has a supply machine that still works, but a demand engine that is spluttering. Households remain cautious. Property remains a drag. State-directed investment is carrying too much of the load.

This is not just China's problem. South Africa (SA) lives in the space between Chinese demand and dollar power. When China slows, commodity exporters feel it. When the dollar strengthens, emerging markets feel it. When oil rises, inflation returns through the side door. And when global rates stay higher for longer, South African households, businesses, and government finances all lose breathing room.

The Middle East conflict shows how quickly geopolitics becomes a household budget issue. Mortgage rates in the US, United Kingdom, and Germany have risen even though central banks have not necessarily raised policy rates. Markets are doing the tightening themselves, pricing in higher oil, higher inflation risk, and more expensive government borrowing. In other words, the bond market does not wait for press conferences.

A newer risk is now joining the old ones. The IMF has warned that artificial intelligence-driven cyberattacks could become a macro-financial shock. That sounds abstract until one remembers what modern finance is: Confidence moving through software. Payments, settlements, bank funding, trading systems, and client records are all connected. Break enough of that plumbing, and a cyber event becomes a liquidity event.

The investment lesson is uncomfortable. The world is not simply dividing into East and West. It is dividing into systems trusted under stress and systems tolerated during calm. China's rise is real. The US' weaknesses are real. But, financial power belongs to the country whose currency, institutions, and markets are still trusted when fear rises.

For SA, the answer is not ideological alignment. It is resilience. Diversified portfolios. Lower fiscal risk. Energy security. Better cyber discipline. Less household fragility. More institutional credibility. The next crisis may arrive through oil, cyber, housing, China, or the dollar. Whatever the trigger, the question will be the same: When confidence disappears, who is still trusted?

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