



ECONOMIC COMMENTARY

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*For every one to attain
financial well-being*

THE NEXT INFLATION SHOCK MAY BEGIN WITH RAIN THAT DOES NOT FALL

South Africans know inflation as a number announced by Statistics South Africa and tracked by the Reserve Bank. Fuel rises. Bread rises. The repo rate rises. Then, everyone asks the same question: When will interest rates come down?

But, the next inflation test may not start in Pretoria, Sandton, or Washington. It may start in the Pacific Ocean, where El Niño changes rainfall patterns; in the Strait of Hormuz, where energy and fertiliser shipments become vulnerable; and on farms, where producers must decide whether they can afford fertiliser for the next season. That is the uncomfortable lesson from recent global warnings about food, energy, and the weather. Inflation is no longer only a demand problem. It is increasingly a resilience problem.

A central bank can raise interest rates to cool spending. It can protect credibility. It can prevent a temporary shock from becoming a wage-price spiral. That matters. But, a central bank cannot make rain fall, repair a port, lower fertiliser prices, fix rail lines, stabilise electricity supply, or make diesel cheaper. Monetary policy can reduce appetite. It cannot increase harvests.

This is where South Africa's (SA's) debate becomes too shallow. We argue about whether government debt is good or bad, as if all borrowing is economically identical. It is not. Borrowing to fund waste, bailouts, and permanent consumption weakens a country. Borrowing to build productive capacity can strengthen it. One kind of debt eats the future. The other may enlarge it.

Investors understand this better than politicians do. Bond markets do not automatically hate debt. They hate debt that cannot explain how it will be repaid. They hate debt that buys no growth, creates no assets, and leaves no stronger economy behind. But, borrowing for electricity, water, ports, rail lines, logistics, digital infrastructure, and climate resilience can be different. If it raises productive capacity, lowers future costs, and crowds in private investment, it changes the story.

This matters because the world is becoming a factory of repeated shocks. A pandemic was called temporary. Russia's invasion of Ukraine created a temporary energy and fertiliser shock. The Middle East conflict creates another temporary oil shock. El Niño creates a temporary food shock. But, when temporary shocks arrive one after another, they stop feeling temporary to households. They become the new cost of living.

For SA, that matters deeply. We are not only exposed to global food and fuel prices. We have added domestic fragility to global volatility. When rail fails, food and minerals move by road at a higher cost. When electricity is unreliable, producers buy backup power. When water systems decay, farms and factories carry more risk. When municipalities break down, companies build private versions of public services. These costs do not disappear. They are quietly priced into bread, insurance, rent, school fees, medical bills, and retirement plans.

That is why the inflation discussion cannot end with the repo rate. A country does not become financially well by punishing demand every time supply fails. It becomes financially well by building systems that make the next shock less expensive. This is also the real lesson behind the artificial intelligence investment boom and the global race for infrastructure. Capital is flowing towards economies and companies that can power, compute, transport, defend, and adapt. The future will reward those who build capacity before the crisis, not those who explain why the crisis was unpredictable afterwards.

SA still has enormous strengths: Strong farmers, sophisticated financial markets, private-sector capability, valuable minerals, and a credible central bank. But, credibility without capacity is not enough. We cannot 'interest rate' our way out of broken logistics, weak municipalities, climate change, and underinvestment.

The next inflation shock may arrive through food. Or oil. Or the rand. Or the weather. The exact trigger is uncertain. The lesson is not. In a more volatile world, resilience is not a luxury. It is the cheapest form of inflation protection.

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