



ECONOMIC COMMENTARY

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*For every one to attain
financial well-being*

THE WORLD GOT RELIEF, NOT RESCUE

For a few weeks, the global economy stared into an old fear: That politics in the Middle East could, again, become an inflation machine. Oil prices surged, the Strait of Hormuz became the centre of the financial world, and investors dusted off the kind of nightmare scenario usually reserved for crisis decks: \$180 oil, food inflation, collapsing currencies, and central banks being forced to choose between growth and credibility.

Now, the worst case seems to have faded. A ceasefire has been signed, the Strait is reopening, and oil prices have fallen sharply from their peak. Yet, the strange thing is what has not happened. Bond yields have not collapsed. The dollar has not surrendered its gains. Central banks have not declared victory. Markets have received good news, but the problem has not gone away. This is the lesson that South Africans should take seriously: The world did not escape an inflation shock. It merely escaped the most dramatic version of one.

Energy inflation travels. It does not stay neatly inside the fuel price. It moves into transport, fertiliser, food, manufactured goods, and wage demands. Once those second-round effects begin, cheaper oil helps, but it does not rewind the clock. A family may see relief at the pump, while still paying more for groceries. A business may have lower fuel costs, but still face higher input prices. Inflation is not a light switch. It is more like dye in water.

This is why central banks remain cautious. The Federal Reserve (Fed), European Central Bank, and Bank of England are looking at the same basic problem: Headline inflation may ease, but underlying inflation is still too sticky. The market debate is no longer: "Will oil prices go higher?" It is: "Has the inflation psychology changed again?" Once households, firms, and unions start pricing for a more expensive world, central banks will have to fight the expectation, not only the data.

For South Africa (SA), this matters enormously. The South African Reserve Bank must respond to what global prices do to local inflation and the rand. If the Fed stays higher for longer, the rand has less breathing room. If the dollar strengthens, imported inflation becomes harder to contain. If global investors decide that the United States (US), powered by artificial intelligence and resilient consumers, remains the safest place to earn returns, emerging markets must work harder to attract capital. This is the uncomfortable part: Even when SA does nothing wrong, the cost of money can rise because the world has changed its mind.

China adds a second warning. For years, China's answer to weakness was more investment, more exports, and more infrastructure. It worked spectacularly. But, now domestic demand is soft, property remains wounded, and the return on further investment appears weaker. China is discovering what all growth models eventually face: Yesterday's miracle can become tomorrow's constraint.

SA should not look at China with superiority. We have our own old formulas. We promise infrastructure without execution. We speak about industrialisation, while electricity, logistics, and municipal capacity undermine firms. We talk about inclusive growth, while education and skills fail to carry millions into productivity. Like China, we also struggle to admit when a model has stopped producing what it once promised.

So, where does this leave investors and households? In a world where relief rallies are possible, but complacency is dangerous. Oil prices can fall, and interest rates can remain high. The rand can weaken even after good local news. Food inflation can persist after the geopolitical headline improves. China can export strongly, while still disappointing commodity producers. The US can look politically chaotic and still attract capital because returns matter more than mood. The great mistake now would be to confuse the end of the emergency with the return of normality. South Africans know the difference. The crisis may be less frightening than it was a month ago. But, the bill is still moving through the system.

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