

Calm before the storm for South Africa



South Africa is expected to report modest economic growth for the first quarter of 2026—but economists warn that this will not reflect the impact of the United States' war in Iran, which will only feed through in Q2.

Stats SA will publish the Q1 GDP data for South Africa next week, with economists anticipating marginal year-on-year growth of around 0.2%.

According to economists at Nedbank, the growth will be “tepid”, mainly supported by domestic expenditure, with household spending the main driver.

Over the period, inflation remained low, monetary policy (interest rates) was easing, conditions supported household budgets and disposable income, and sentiment was generally more positive, they said.

“Together, these factors likely provided support to domestic demand, with household consumption the primary beneficiary.”

On the opposite side, Nedbank noted that the net export position probably weakened further.

The economists said that import volumes were likely boosted by firmer domestic demand, while export volumes remained constrained by sluggish demand in South Africa's major trading partners.

This was likely exacerbated by elevated US tariffs, despite the extension of AGOA.

“As a result, imports likely outpaced exports, detracting from overall growth,” the finance group said.

“Taken together, we expect the economy to have expanded modestly by around 0.2% qoq in Q1, with resilient household spending and a recovering agricultural sector offsetting weakness in the goods-producing sectors and a deteriorating net export position.”

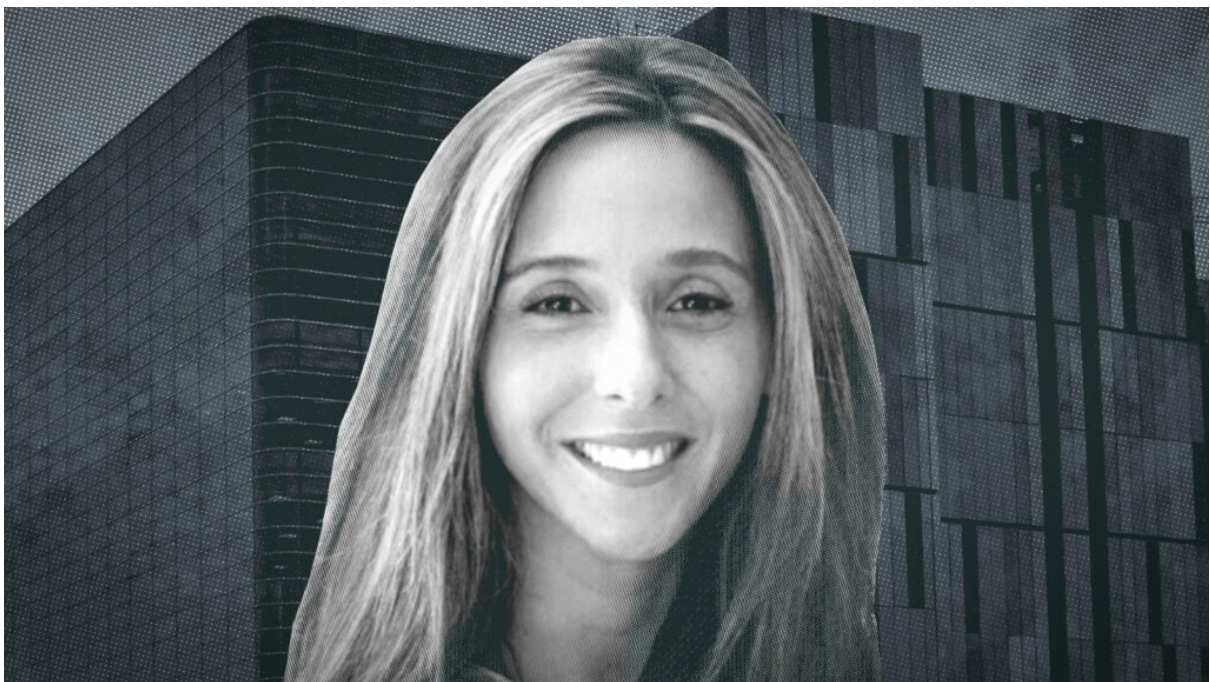
Notably, Nedbank said that the Q1 data is unlikely to reflect the impact of the Iran war, which began on 28 February.

“For most of the quarter, the economy had not yet felt the full effects of the war, which only began late in the period,” it said.

While March saw a significant spike in oil prices as a result of the war, this only filtered through to higher energy costs in April and May, with the inflationary impact also lagging by a month or so.

This means that the real war pain will only be reflected in Q2 data and beyond, especially if the conflict drags on further.

Annual growth projections already hit



Investec economist, Lara Hodes

The impact of the war has already dimmed South Africa's growth prospects for 2026, although local economists remain more optimistic than international financiers.

According to Investec economist Lara Hodes, South Africa's GDP growth for the year will be affected by the ongoing war, dropping to an expected 1.3% y/y from 1.5% y/y before the attacks.

This is still higher than the International Monetary Fund's (IMF) projections.

In the group's April World Economic Outlook update, which assessed the impact of the US-Iran war, the IMF slashed South Africa's growth prospects, along with those of many other global economies.

Prior to the outbreak of the conflict, the IMF had forecast South Africa's GDP growth at 1.4% for 2026. This was cut to just 1.0%.

At the time of its outlook, the IMF flagged different scenarios based on the length of the war, warning that downside risks were prominent.

Notably, the biggest risks associated with lower growth—and red flags for recession—are related to the length of the United States' war, and intensity of the fighting.

The war has now entered its fourth month, with uncertainty persisting about its end.

Markets have turned optimistic that a longer-term truce or end to the conflict is looming, but sentiment does not necessarily reflect reality.

In the meantime, central banks are navigating higher inflation, while second-round effects are starting to hit consumers, placing pressure on growth.