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NWU Business School

Policy Uncertainty Index (PUI)

1Q 2026

EMBARGOED UNTIL:

MONDAY, 30 MARCH 2026

EXECUTIVE SUMMARY

- The NWU Business School 1Q 2026 PUI rose to 77.8 from 64.9 in 4Q 2025 (baseline 50). Not unexpectedly, the elevated PUI in the first quarter of 2026 reflected a sharp increase in economic uncertainty mainly driven by the current Middle East global energy crisis. It reverses the previous decline in the 4Q 2025 PUI which, although still negative territory, suggested that a positive turning point had been reached in South Africa's business cycle

- Global economic prospects on both the inflation and growth fronts have now been dominated by the negative economic consequences flowing from the Middle East crisis. The crisis is widely seen as a profound geopolitical rupture resulting from the US/Israeli war with Iran. It is also no longer just a question of oil-supply disruption, but of oil-supply destruction that is having ripple effects on the world economy and unsettling global supply chains.

- The mainly blocked Strait of Hormuz remains the chief bottleneck to shipping in the Gulf. Most Asian countries are heavily exposed to the energy crisis; Europe is also vulnerable, especially on the gas side; and the Americas' vulnerability is mixed. The most exposed economies are not just those that need imported oil, but those that cannot easily absorb a big jump in oil, freight, food and financing costs simultaneously

- Several central banks have now pivoted to a 'wait and see' or 'no-change' stance on interest rates. Central banks are responding to the Middle East crisis with caution, mostly holding rates steady, while preparing for potential inflation caused by much higher energy prices. The US Federal Reserve, Bank of England and the European Central Bank have recently all left interest rates unchanged

- The SARB's Monetary Policy Committee at its meeting on March 26 also decided to leave rates unchanged. Given the economic outlook presented by the MPC interest rates are now likely to stay higher for longer. South Africa's economic recovery is expected to be interrupted this year

- As a net importer of crude oil and petroleum South Africa is now exposed to a big spike in fuel prices and other collateral economic consequences embedded in the price shocks on April 1. In addition, on that date the substantial rise in fuel costs converges with the implementation of higher Eskom tariffs, as well as the adjusted fuel levies and carbon taxes announced in the recent Budget. It is therefore a triple 'whammy' for business and consumers

- Many countries have already decided on appropriately designed of policy packages to ameliorate or mitigate the worst impact of the cost increases on consumers and business. Government has several potential levers to also do so - especially to assist the poor - though each comes with trade-offs. Temporary fuel relief or deferrals might be considered. The key challenge is balancing necessary targeted relief with fiscal sustainability

- To promote policy certainty, strengthen business confidence and build resilience in the current environment the appropriate overall response is not alarmism, but measured preparedness, credible policy direction, coordinated action, speedier structural reforms, and good communication

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THE NWU BUSINESS SCHOOL POLICY UNCERTAINTY INDEX ROSE TO 77.8 in 1Q 2026 FROM 64.9 IN 4Q 2025 (BASELINE 50), THUS REMAINING WELL IN NEGATIVE TERRITORY

"Among the FUNDAMENTAL structural reform items is POLICY CERTAINTY. Simple but fundamental to the investor community. Remember that you cannot force people to invest, but you can create an environment which makes it easier to invest, create jobs and, hey presto, develop the country" (former Finance Minister Tito Mboweni, 16/12/2021)

1. INTRODUCTION

As outlined when the PUI was launched in early 2016, the role of policy uncertainty has loomed large in much of the recent economic debate in SA. It is seen to have important implications for business confidence and the investment climate in the country. Hardly any recent economic assessment or media release from international or local financial institutions, business lobbies, economic analysts, financial journalists, or credit rating agencies appears without the inclusion of the words 'policy uncertainty' occurring in them.

The design of a policy uncertainty index for SA has nonetheless been spurred not only by economic circumstances in the country but also by the increasing academic and policy interest globally around the cause, effect, measurement, and definition of policy uncertainty. There is now a 'World Uncertainty Index' (WUI) created recently by the IMF and Stanford University to calibrate rising levels of policy uncertainty in the global economy.

There have been many manifestations of policy uncertainty in SA over the years. The institutional setting and policy-making environment clearly influences the extent to which negative shocks and developments lead to bad outcomes and tough policy challenges. It seemed that the time had arrived to craft a more accurate measurement of this recurrent factor in SA's economic outlook. A deeper understanding of how uncertainty 'shocks' affect the SA economy helps policymakers to assess how future shocks will impact markets and business. The outcome of this research will now be made regularly available on a quarterly basis to hopefully fill a gap in our monitoring of the economic environment.

Interesting correlations have been found between the policy uncertainty index and economic outcomes. Empirically, it shows that when economic policy uncertainty is strongly present in the environment, it indeed lowers investment, employment, and output. High levels of such policy uncertainty inhibit meaningful investment and consumption. Elevated policy uncertainty in many countries contributes to sluggish growth. Economic policy uncertainty then has actual consequences for the economy.

The PUI is published quarterly. An increase beyond 50 reflects heightened policy uncertainty; a decline in the PUI means reduced uncertainty. The value of the PUI as a proxy for policy uncertainty will lie in tracking changes in policy uncertainty over time.

2. PUI RESULTS FOR 1Q 2026 – WHAT DO THEY SAY?

The PUI is expressed as a *net* balance - the index is the *net* outcome of *positive* and *negative* factors influencing the calibration of policy uncertainty over the relevant period. The results show that the 1Q 2026 PUI at 77.8 rose sharply from the 4Q 2025 PUI of 64.9 and remained well in negative territory.

Unpacking the three elements constituting the latest PUI shows the following:

i. The *media data* reflected substantially higher references to policy uncertainty

ii. The *survey of economists* had mixed views as to whether the level of policy uncertainty had risen

iii. The University of Stellenbosch's Bureau for Economic Research *survey of manufacturers* experiencing policy/political uncertainty was slightly lower but was completed before the Middle East crisis broke out

3. NARRATIVE ON FACTORS INFLUENCING ECONOMIC/POLICY UNCERTAINTY

3.2.1. Global Economic Outlook

The global economic outlook for the first quarter of 2026 was dominated by the Middle East crisis, widely seen as a profound geopolitical rupture resulting from the US/Israeli war with Iran. A convergence of higher energy costs and disrupted logistics, especially through the Strait of Hormuz, has occurred at a time when the international trading system has already been damaged by an erratic US tariff policy, as well as the lingering legacy of supply chain fragmentation from Covid and the Russia-Ukraine conflict. The situation is clearly testing global economic resilience, and new shocks may yet come in different shapes and sizes over the next few months. It is no longer the economic ramifications of a supply-side *disruption*, but also elements of supply-side *destruction.*

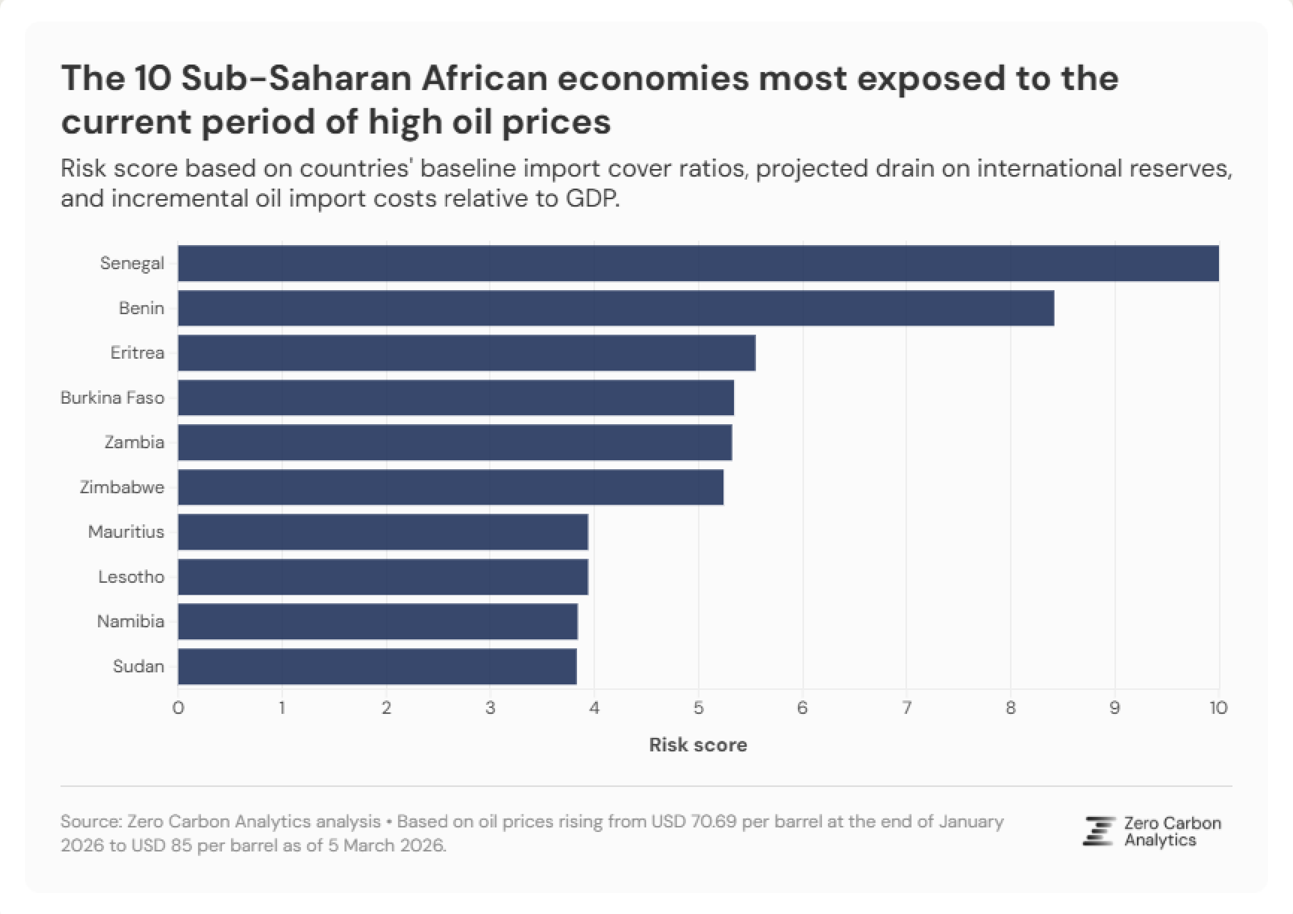
In its responses to the Middle East situation, the International Monetary Fund (IMF) has emphasised the extent to which the conflict has posed multi-level risks to the global economy. With the Middle East situation adding to a cumulative set of pre-existing negative factors - ranging from geopolitics to trade policy - global economic uncertainty has strongly escalated. It is expected to remain highly elevated for now. The prices of oil and natural gas, already high, have risen further as strikes on energy facilities intensified, and the cost of *everything* from fertiliser to helium has spiked.

The evidence shows that the most exposed countries are those that combine energy import-dependence with weak external balances, high inflation, limited fiscal space, fragile currencies, or heavy reliance on disrupted trade routes. The most vulnerable economies are therefore not just those that need imported oil, but those that cannot easily absorb a big jump in oil, freight, food, and financing costs simultaneously. The IMF has already highlighted spillover effects arising from higher energy costs, trade disruptions, and financial volatility across several economies. The economic impact obviously varies across regions and countries, but all affected countries have been scrambling in recent weeks to implement appropriate mitigating measures to address supply and/or price shocks.

Most Asian countries are found to be most exposed to the Middle East crisis; Europe is also vulnerable, especially on the gas front; and the Americas' vulnerabilities are mixed. The US economy is relatively more insulated, as it is much less dependent on imported oil than other large economies. Although the US economy is strong and resilient, it is still likely to be hit by higher gasoline prices, weak confidence, and financial volatility. And Latin America is not one story, with commodity-exporting countries like Brazil and Venezuela being among those that can benefit from higher oil or commodity prices. The longer the Strait of Hormuz is largely blocked, the more widespread is the negative economic impact across a range of global supply chains. The risks have become systemic, rather than just cyclical.

At its meeting on March 18, as expected, the US Fed decided, in light of these changed economic circumstances, to keep interest rates unchanged. It was noteworthy that the number of times Fed Chairman Jerome Powell, in his remarks explaining the Fed's stance at a media conference, referred to 'uncertainty' and gave a 'wait-and-see' response. The Fed decision confirms the extent to which the US economy is now seen as a mix of strength and vulnerabilities. While the Fed did not rule out one further rate cut this year, Powell hedged that prospect with several conditions. In the same week, both the Bank of England and the European Central Bank also kept rates unchanged, citing heightened global economic uncertainty.

What about Africa? Some experts believe that, should the Middle East conflict be protracted, a worst-case scenario for Africa may not come from a single shock. Instead, it would rather emerge from a combination of energy, food, trade, and finance shocks, simultaneously having a negative impact. On the other hand, the London publication 'The Economist' (20/3/26) recently described most African countries as still looking more resilient. Of the 16 fastest-growing economies worldwide this year, 11 are still expected to be on the African continent. There may therefore be many more winners than losers on the continent, and economic growth in 2026 is still expected to be higher than in Asia. 'The Economist' therefore describes a future Africa 'rising as a destination for investment, not charity'



3.2. South African Economic Outlook

3.2.1. Balance between positive and negative factors influencing 1Q 2026 PUI

Not unexpectedly, the 1Q 2026 rose to 77.8 (baseline 50) compared to 64.9 in 4Q 2025. This was mainly the result of the global shock to the world economy and South Africa emerging from the US/Israeli war with Iran, which started on February 28. Negative external factors, therefore, outweighed the positive ones in the period under review. Indeed, the 4Q 2026 PUI of 64.9 had previously shown a welcome easing from its previous record of 81.0 in 3Q 2026. Although still in negative territory, recent trends and developments had augured well for a further decline in the first quarter of 2026. Various positive factors had emerged in South Africa’s macroeconomic landscape, ranging from an incipient economic recovery to stronger business confidence.

And recent positive news also was that, compared with GDP growth rates of 0.8% and 0.5% in 2023 and 2024, respectively, growth nonetheless improved to 1.1% in 2025 as a whole. Although still far short of what South Africa needs, it nonetheless represented a turning point in the country's business cycle. Contained inflation and easing interest rates had also helped to underpin the economic upturn. The State of the Nation Address (SONA) on February 13, as well as the 2026 Budget, provided additional policy direction. This better outlook has now been unfortunately jeopardised by external shocks arising from the international energy crisis and its wider consequences.

At its meeting on March 26 the MPC, as expected, kept interest rates unchanged in the light of the prevailing global energy crisis. It saw risks to the inflation outlook as being on the upside. Although the MPC kept its growth forecasts unchanged for now, it deemed risks to the outlook as being on the downside. It is now nonetheless likely that South Africa's economic recovery will be interrupted this year. In acknowledging the extent to which elevated uncertainty permeated the overall economic outlook, it is clear from the MPC's stance that interest rates will now remain higher for longer for business and consumers.

On the negative side, the Middle East war and its wider implications have therefore now clearly also interrupted, at least for now, what may have been a further easing in the PUI. The energy 'shock' and its concomitant uncertainty have inevitably raised a red flag over South Africa's economic outlook as a major oil-importing country. The combination of a weaker rand and higher oil prices, therefore, inevitably poses risks to both the inflation outlook and growth prospects. The longer the conflict persists, the worse it will be for fuel prices and the cost of living, especially for poor households and small businesses, which are particularly vulnerable to such price shocks.

Finance Minister Enoch Godongwana has emphasised that South Africa is a 'price taker' in the fuel market. As a small open economy, South Africa is vulnerable on this front. Such countries have little influence on the world prices of their imports and exports and must accordingly take these prices as given. Western Cape exporters, for example, have already reported the effects of logistical disruptions and rising input costs. Adjusting to the Middle East shock depends on how long it lasts and on the policy choices available to South Africa. The potential broad tools for dealing with external shocks are usually monetary policy, fiscal policy, external-sector management, and structural reforms.

Adjusting to external shocks is nonetheless never easy or painless. In addition, the big spike in fuel prices in South Africa on April 1 coincides with the implementation of higher Eskom tariffs as well as the fuel levies announced in the recent Budget. It is therefore a triple 'whammy' in terms of costs for businesses and consumers. It may have been wise for the National Treasury to have considered postponing the introduction of the additional fuel levies and carbon tax due on April 1 for, say, three months, as a 'shock absorber'. South Africa will do well if it escapes with a minor setback to growth and a temporary bout of inflation. In the present circumstances, economic preparedness and clear communication must enjoy the highest priority in managing the challenges that lie ahead.

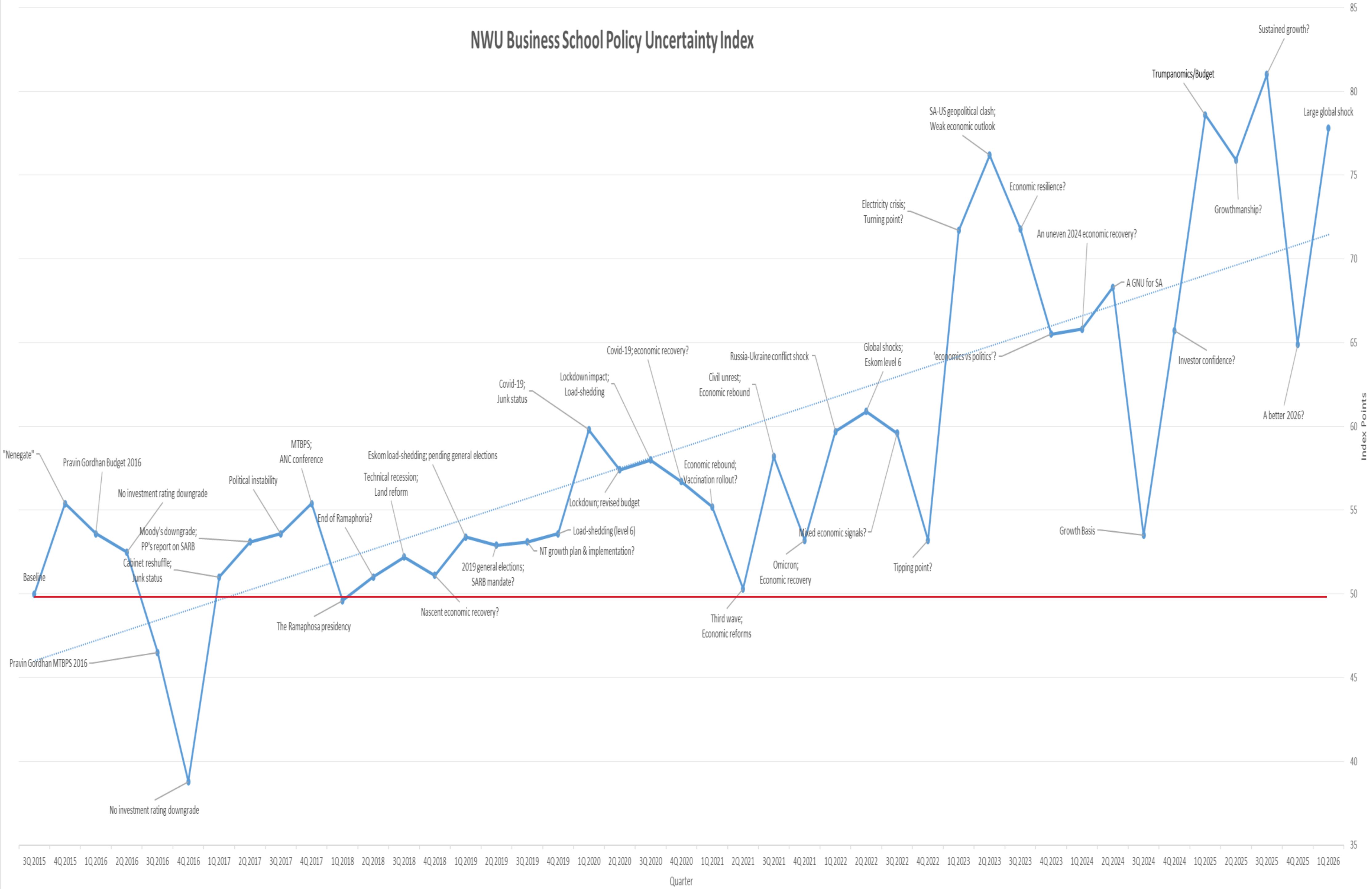
And more than ever before, faster structural economic reforms must help to build resilience. According to a new quarterly measure from the Bureau of Economic Research (BER) at the University of Stellenbosch, Operation Vulindlela has gone some way towards expediting reforms, but progress remains slow. Investment spending is only gradually turning the corner, according to the BER. The BER adds that sustaining the economic recovery will depend on whether improved sentiment and reform momentum translate into stronger fixed investment and measurable progress in economic performance. The Business Leadership South Africa (BLSA), which also regularly monitors developments on the reform front, has conveyed a similar message.

3.2.2 Summary and Conclusion

The elevated 1Q 2026 PUI reflects the current heightened uncertainty around domestic economic developments in South Africa, driven by the global energy crisis. In these circumstances, when uncertainty is high, policy makers should have three aims: First, to make an objective assessment of the risks and likely scenarios. Second, to evolve and communicate an overall plan or appropriate remedies to mitigate and manage the new risks. Third, to minimise any uncertainty about the official commitment to the core macroeconomic framework and about the pace of structural reforms. If business in South Africa expect key changes in the country’s economic trajectory but are very uncertain about what precise form these changes may take, then their confidence will be weak

North-West University Business School

30 March 2026



NWU Business School Policy Uncertainty Index
Index Points
Quarter
85
80
75
70
65
60
55
50
45
40
35
3Q 2015
4Q 2015
1Q 2016
2Q 2016
3Q 2016
4Q 2016
1Q 2017
2Q 2017
3Q 2017
4Q 2017
1Q 2018
2Q 2018
3Q 2018
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2Q 2023
3Q 2023
4Q 2023
1Q 2024
2Q 2024
3Q 2024
4Q 2024
1Q 2025
2Q 2025
3Q 2025
4Q 2025
1Q 2026
Baseline
"Nenegate"
Pravin Gordhan Budget 2016
No investment rating downgrade
Moody's downgrade;
PP's report on SARB
Cabinet reshuffle;
Junk status
Pravin Gordhan MTBPS 2016
No investment rating downgrade
Political instability
MTBPS;
ANC conference
End of Ramaphoria?
The Ramaphosa presidency
Technical recession;
Land reform
Eskom load-shedding; pending general elections
Nascent economic recovery?
2019 general elections;
SARB mandate?
NT growth plan & implementation?
Load-shedding (level 6)
Covid-19;
Junk status
Lockdown impact;
Load-shedding
Lockdown; revised budget
Covid-19; economic recovery?
Economic rebound;
Vaccination rollout?
Civil unrest;
Economic rebound
Third wave;
Economic reforms
Omicron;
Economic recovery
Russia-Ukraine conflict shock
Mixed economic signals?
Global shocks;
Eskom level 6
Tipping point?
Electricity crisis;
Turning point?
SA-US geopolitical clash;
Weak economic outlook
Economic resilience?
An uneven 2024 economic recovery?
'economics vs politics'?
A GNU for SA
Growth Basis
Investor confidence?
Trumpanomics/Budget
Growthmanship?
Sustained growth?
A better 2026?
Large global shock