

Economies at a glance - May 2026

The politics of dissatisfaction

What began as a post-pandemic backlash against incumbents is evolving into a broader political realignment, with weak growth, persistent cost pressures and renewed Iran-driven energy shocks further eroding voter patience across advanced economies.

Trump's honeymoon fading



1

Trump's approval ratings have fallen sharply since January 2025

2

Economic dissatisfaction remains central, with rising gasoline prices

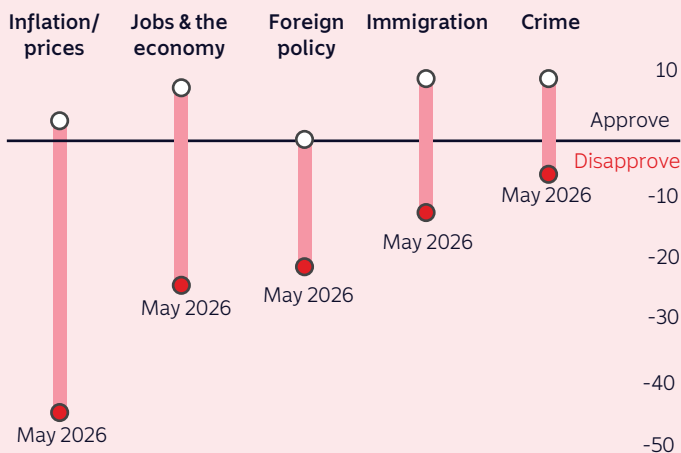
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Iranian conflict and trade disruptions have hurt sentiment

4

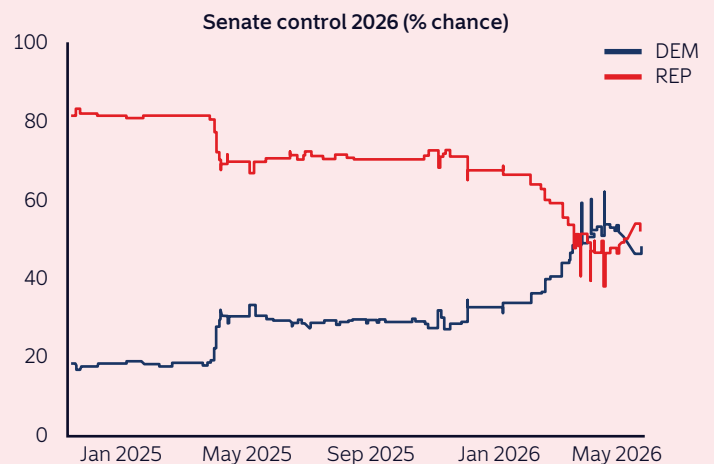
Midterm betting/polling odds increasingly point to possible Democratic gains in the House

Net approval rating of President Donald Trump then* versus now (%)



*Beginning of second term

Betting odds of Republicans/Democrats retaining control over the Senate in the midterms



Britain's elusive reset



1

Winning office proved easier than restoring public confidence

2

Fiscal constraints limit policy flexibility

3

Immigration, National Health Service waiting lists and stagnant living standards persist

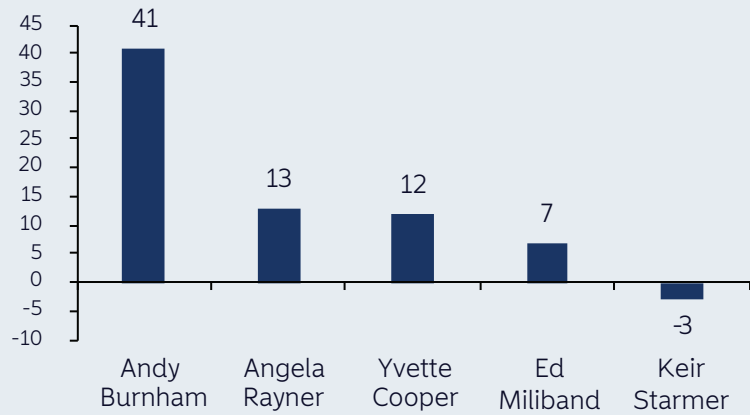
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United Kingdom local-election upsets show anti-establishment sentiment remains alive

Favourability ratings for Prime Minister Keir Starmer have dropped to 23%



Net favourability ratings (favourable less unfavourable) show Andy Burnham being a favourite among Labour voters (%)



Macron's long goodbye



1

President Emmanuel Macron's approval ratings remain deeply negative

2

Pension reform backlash still lingers

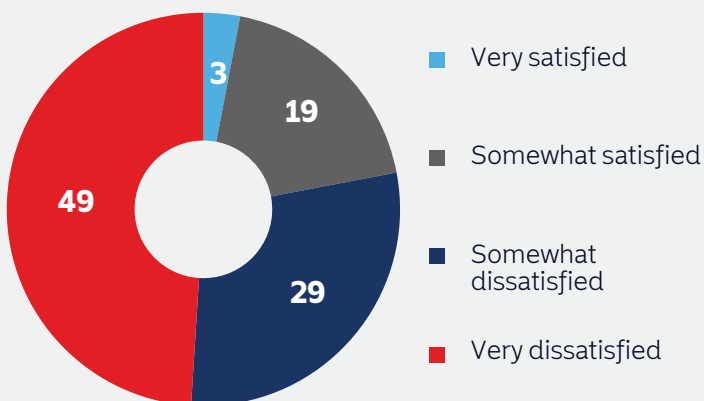
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French voters increasingly see Macron as disconnected from household pressures

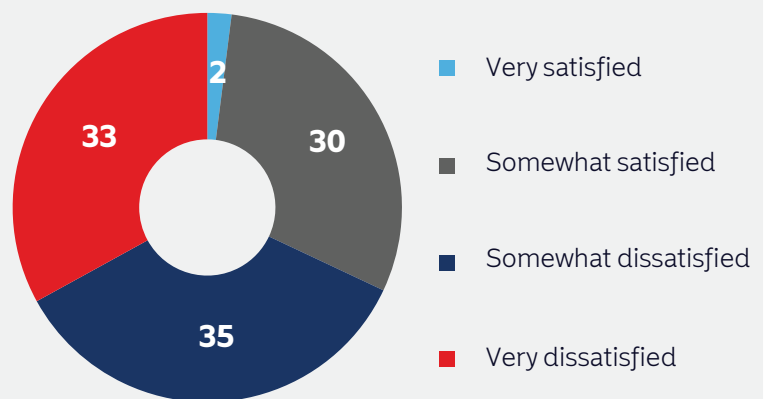
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Fragmentation between far-right and far-left forces has hollowed out the political centre

Favourability ratings for President Emmanuel Macron (April 2026)



Favourability ratings for Prime Minister Sébastien Lecornu (April 2026)



The advance of the German right



1

The Alternative for Germany (AfD) party continues to gain traction in local and state elections

2

Economic stagnation and weak productivity growth are eroding confidence

3

Immigration remains a politically charged fault line

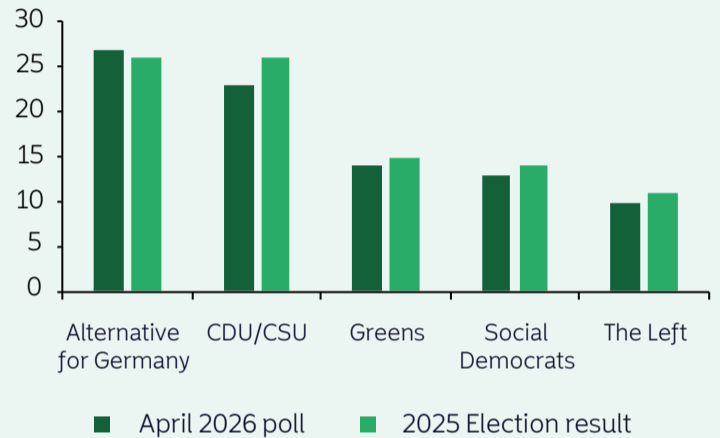
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Voter frustration in eastern Germany reflects a deeper sense of relative economic and political exclusion

Rating of level of satisfaction with the work of Federal Chancellor Friedrich Merz (%)*



Inroads being made by the political right



Spain's paradox of progress



1

Despite political fragmentation, Spain has outperformed Europe economically due to a tourism recovery and European Union funds

2

Prime Minister Pedro Sánchez nevertheless still faces political fatigue and coalition fragility

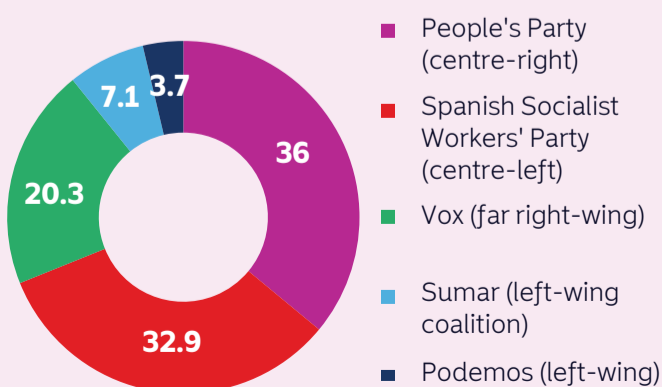
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Spain's political centre continues to erode, with voters drifting toward both the populist right and fragmented left-wing blocs

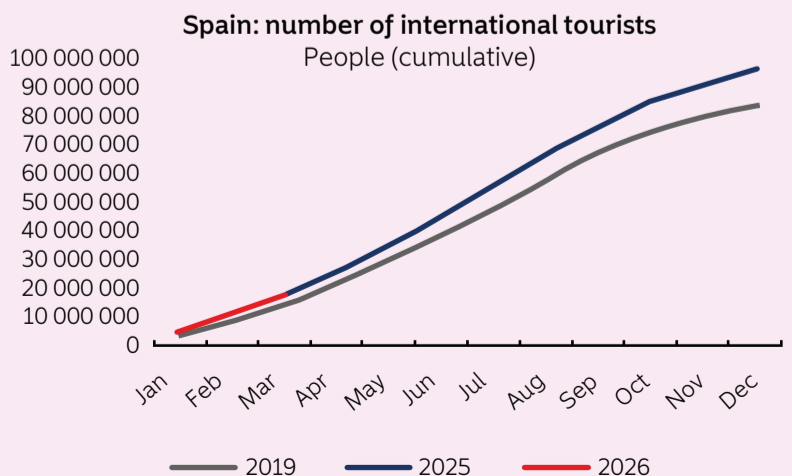
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Coalition-building has become more fragile and policy volatility has increased despite a relatively strong macroeconomic performance

Current polling if an election was held in Spain in May 2026



Spain's international tourism has buoyed growth



May 2026

Forecast 2026:

GDP: 2.2%
Core PCE Inflation: 3.1%

Forecast 2027:

GDP: 2.0%
Core PCE Inflation: 2.4%

EUROZONE

May's electoral landscape delivered warnings of voter restiveness across the Eurozone, as anti-establishment forces exploited public anger over resurgent inflation. In Cyprus, the far-right ELAM surged to 11% to seize third place, fragmenting the legislature and hampering fiscal coordination. While Italy's Prime Minister Giorgia Meloni defied opposition momentum by defending key municipal strongholds, Malta's snap election remained heavily overshadowed by severe cost-of-living anxieties. Blockages in global oil transit have hit energy-intensive economies the hardest. According to *Euronews*, Latvia, Sweden, Germany and France recorded diesel spikes exceeding 25%, pushing headline Eurozone inflation to 3.0% in April. The surge deepens the stagflationary bind confronting the European Central Bank, leaving policymakers with a narrowing corridor as they attempt to anchor supply-side inflation without choking off an already fragile regional recovery.

Forecast 2026:

GDP: 1.0%
Inflation: 3.2%

Forecast 2027:

GDP: 1.1%
Inflation: 2.5%

JAPAN

Japan's economy expanded by an unexpected 2.1% in the first quarter of the year, but its outlook remains severely pressured by geopolitical shocks. The ongoing US-Iran war has triggered massive economic strain. Surging shipping insurance fees and skyrocketing oil prices are driving up inflation. This energy crisis is further threatening consumer spending, complicating the Bank of Japan's plans to raise interest rates. Concurrently, a six-month diplomatic freeze with China over Taiwan rhetoric has kept Chinese tourism severely depressed, heavily impacting luxury retail revenues.

To counter Chinese regional assertiveness, Japan has substantially accelerated its defence initiatives. Relying on its record-breaking 2026 defence budget, Tokyo expanded its missile infrastructure and held offensive missile drills. Crucially, Japan hosted a bilateral summit in Tokyo to finalise a major security partnership transferring warships to the Philippines and solidifying its regional alliance network.

UNITED STATES

The United States (US) economy is navigating a highly asymmetrical shock following the outbreak of the Iran war, exposing a stark divergence between corporate windfalls and household strain. As a net energy exporter, the US has insulated its current account via record shipments of refined products and liquified natural gas. Yet this macroeconomic buffer offers little comfort to consumers. Retail gasoline prices have surged past US\$4.50 per gallon in a number of states, lifting headline inflation to 3.8% in April and threatening to unanchor inflation expectations. For the Federal Reserve, this presents a punishing dilemma. Supply-driven energy shocks cannot typically be resolved by monetary tightening. However, second-round pressures into core prices risk entrenching a more stagflationary outcome. The domestic political fallout is already materialising. President Donald Trump's *RealClearPolitics* approval average has sunk to below 40% as voters punish the administration for costly foreign policy outcomes, darkening the legislative outlook ahead of the midterms.

Forecast 2026:

GDP: 0.7%
HICP Inflation: 2.9%

Forecast 2027:

GDP: 1.2%
HICP Inflation: 2.3%

UNITED KINGDOM

May's local elections have delivered a severe rebuke to Sir Keir Starmer's government, as a conflict-driven energy shock accelerates the fragmentation of British politics. Labour suffered an electoral drubbing, shedding 1 496 council seats. Although Reform UK secured a significant breakthrough by capturing 1 451 council seats, post-election data indicates Labour's coalition primarily fractured to the left. According to *YouGov* analysis, "just 46% of 2024 Labour voters... stayed loyal," with 22% defecting to the Greens and 6% choosing Reform UK. This political realignment coincides with a volatile terms-of-trade shock. As a net energy importer, the UK remains highly exposed to external supply disruptions. A surge in fuel costs kept underlying price pressures elevated, even as April's headline inflation moderated to 2.8%. The erratic trajectory deepens the inflation concerns confronting the Bank of England in a tepid growth environment, a situation further complicated for policymakers by severely limited fiscal headroom.

Forecast 2026:

GDP: 0.7%
Inflation: 2.1%

Forecast 2027:

GDP: 0.9%
Inflation: 2.1%



CHINA

President Trump's May summit with Chinese leader Xi Jinping achieved modest stabilisation but exposed entrenched structural fault lines. While yielding token purchase agreements for US agriculture and Boeing aircraft alongside a bilateral "Board of Trade," core tariff architectures were deferred to a reciprocal state visit in Washington on 24 September. On Taiwan, Xi drew an uncompromising red line, warning that mishandling the island's sovereignty risks a "dangerous direct collision". Another geopolitical divergence, centred on the Iran conflict. Beijing continues to extend crucial diplomatic and economic cover to Tehran via dual-use technology transfers and crude purchases. Crucially, China's strategy relies on an unprecedented stockpile of crude oil, which estimates from the *Centre on Global Energy Policy* indicate covers 104 days of net imports. By drawing down this cushion, Beijing has successfully insulated domestic industry from seaborne disruptions, aggressively mitigating external price shocks.

Forecast 2026:

GDP: 4.1%
Inflation: 5.3%

Forecast 2027:

GDP: 4.0%
Inflation: 4.5%

Forecast 2026:

GDP: 4.5%
Inflation: 0.8%

Forecast 2027:

GDP: 4.5%
Inflation: 0.8%

EMERGING MARKETS

Emerging market (EM) performance is widening along a stark structural fault line as the Iran conflict's energy shock reverberates through the developing world. While the International Monetary Fund's *World Economic Outlook* in April projected overall growth in EMs at 3.9% for 2026, economic data for May reveals severe localised distortions.

The crisis has placed commodity exporters and energy-dependent importers on entirely divergent trajectories. In Sub-Saharan Africa, robust resource extraction anchored a 4.3% growth forecast by the IMF, yet soaring transit costs are driving regressive food inflation and could see this figure coming in lower. The IMF expects growth in the Middle East and Central Asia to slump to 1.9% as severe infrastructure damage and shipping blockages blunt output. Meanwhile, a sluggish growth forecast of 2.3% in Latin America highlights how tight monetary conditions are choking off domestic demand. For central banks across these vulnerable territories, the persistence of these external supply shocks leaves limited fiscal headroom, trapping policymakers between acute currency depreciation and compounding debt-servicing strains.

Forecast 2026:

GDP: 1.2%
Inflation: 4.3%

Forecast 2027:

GDP: 1.5%
Inflation: 3.5%

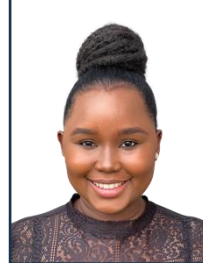
SOUTH AFRICA

The South African Reserve Bank's (SARB) Monetary Policy Committee raised its repo rate by 25 basis points to 7.0%, its first hike since May 2023. Splitting 4-2, the vote tracked the Reuters consensus in the run up to the interest rate decision, where 15 analysts forecasted a hike of 25 basis points, while seven expected no change. The Bank's decision to hike was driven by an escalating forward-looking inflation risk profile. The MPC upgraded its 2026 inflation forecast from 3.7% in March to 4.4%, surpassing Reuters' expectations of 4.0% and our own of 4.3%. The MPC expects inflation to remain above target at 3.7% in 2027, above our and the Reuters consensus of 3.5%. This near-term cyclical tightening underscores a widening divergence between SA's structural recovery and immediate supply shocks. Notably, Moody's upgraded the nation's credit outlook to positive in May, citing stabilising public finances. Yet facing immediate inflationary threats, the MPC modelled three risk scenarios, which included a prolonged Middle East shipping blockage pushing inflation to 5.0% (forcing two extra hikes), an El Niño drought cycle (leaving interest rates high for longer) and a worst-case convergence of risks pushing the peak in inflation past 6.0%, requiring three additional hikes. Politically, the Phala Phala controversy remains a distraction in SA following the Constitutional Court's ruling on impeachment mechanisms. Locally, Johannesburg's ANC coalition passed a contentious R97.1bn budget requiring steep tariff increases. Moreover, recent Democratic Alliance by-election breakthroughs in traditional ANC strongholds like Evaton West underscore highly unstable political realignment ahead of the 2026 elections.

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Indices for May 2026

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (ALSI)	-0.27%	-9.22%	25.84%	19.41%	16.59%	15.46%	18.96%	15.03%	11.66%
FTSE/JSE Capped All Share Index	-0.27%	-9.32%	26.61%	19.87%	16.41%	15.69%	19.60%	15.27%	11.66%
FTSE/JSE All Share Top 40 Index	-0.20%	-9.65%	27.51%	19.11%	17.07%	15.81%	18.97%	15.58%	12.01%
FTSE/JSE Mid Cap Index	-3.55%	-14.11%	16.65%	18.89%	11.98%	11.92%	16.89%	10.65%	8.05%
FTSE/JSE Small Cap Index	0.39%	-4.62%	23.61%	23.94%	17.15%	19.17%	28.32%	17.46%	11.00%
FTSE/JSE Resources Index	-0.99%	-18.00%	76.40%	25.23%	16.34%	17.79%	22.72%	21.41%	19.71%
FTSE/JSE Financials Index	0.88%	-5.09%	26.17%	27.24%	16.63%	18.97%	22.27%	11.39%	9.44%
FTSE/JSE Industrials Index	-0.66%	-2.83%	-1.41%	10.61%	15.29%	10.48%	13.35%	11.28%	7.55%
FTSE/JSE Research Affiliates Fundamental Indices									
40 Index (RAFI)	-0.08%	-9.63%	40.55%	20.99%	16.68%	18.72%	22.68%	16.18%	13.73%
FTSE/JSE Research Affiliates Fundamental Indices									
All Share Index	-0.20%	-9.66%	36.37%	20.90%	16.01%	17.85%	22.12%	15.60%	13.28%
FTSE/JSE SA Listed Property Index (SAPY)	0.62%	-6.05%	23.95%	25.46%	17.86%	17.40%	20.50%	7.47%	4.35%
FTSE/JSE All Property Index (ALPI)	0.65%	-6.49%	23.77%	25.70%	17.70%	17.14%	20.34%	7.25%	3.09%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	2.91%	-0.98%	22.41%	19.00%	14.02%	12.29%	12.09%	11.27%	11.03%
FTSE/JSE All Bond Index 1-3 years (Albi)	0.89%	0.78%	8.04%	10.26%	8.62%	7.92%	7.58%	8.00%	8.38%
FTSE/JSE Inflation-linked Government Index (Ili)	0.64%	-1.14%	18.92%	11.86%	8.45%	8.78%	9.88%	8.10%	6.33%
Short-term Fixed Interest Composite Index (Stefi)	0.56%	1.68%	7.13%	7.93%	7.57%	6.86%	6.41%	6.49%	6.78%
Commodities									
NewGold Exchange-Traded Fund	-4.59%	-11.77%	24.15%	23.38%	26.17%	22.63%	15.54%	20.99%	14.07%
Gold price (in rands)	-4.69%	-11.37%	25.55%	23.94%	26.59%	22.98%	15.96%	21.45%	14.48%
Platinum Exchange-Traded Fund	-5.53%	-17.22%	61.60%	15.62%	19.54%	13.34%	12.82%	14.68%	6.92%
Platinum price (in rands)	-4.18%	-17.55%	65.25%	16.71%	18.93%	13.24%	12.92%	14.75%	7.01%
Currency movements									
Rand/euro movements	-3.53%	0.21%	-7.15%	-3.67%	3.14%	2.41%	-0.61%	2.20%	0.76%
Rand/dollar movements	-3.05%	1.35%	-9.72%	-6.52%	0.96%	3.37%	-1.41%	1.53%	0.29%
Inflation index									
Consumer Price Index (CPI)			4.02%	4.00%	4.70%	4.94%	4.85%	4.58%	4.63%

Important notes

- Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
- Returns for periods exceeding one year are annualised.
- The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
- The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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