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Political promises **stand trial**

Low turnout and divided electorates can leave governments with enough votes to win, but limited public backing for their policies.

Economies at a glance
October 2026.



Politics puts policy to the test

Politics is shaping the economic outlook through the choices governments make under pressure. In France, protests over school funding sharpen the tension between public spending demands and fiscal restraint. Elections in Brazil and the US put competing economic priorities before voters, while the Ceuta crisis brings migration, public resources and cross-border relations into Spain's political debate. These pressures can alter spending plans, delay reforms and make policy less predictable. For investors, the outcome depends on both who holds power and their ability to govern effectively.

In South Africa, that test comes down to the municipality. Voters' priorities, participation and shifting party support will shape the next councils. Their ability to form stable administrations and deliver reliable services will help determine the outlook for local investment and growth.

The global politics of public discontent

France

Pressure from the streets

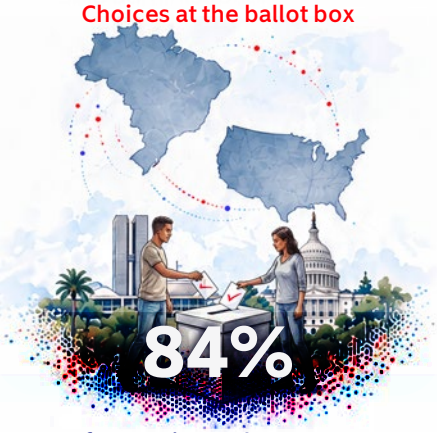


of the Education Ministry's budget goes to pension contributions

- Protests over school conditions expose a difficult spending trade-off, as demands for better services compete with pressure to contain borrowing.
- Rising pension commitments absorb resources that could otherwise support education and other public services.
- Meeting public demands requires difficult choices about spending priorities, taxation and borrowing. Resistance to those choices can make fiscal consolidation harder to deliver.

Brazil and the US

Choices at the ballot box



of US registered voters say the economy is very important to their midterm vote

- Economic pressures are shaping electoral choices. In the US, 84% of registered voters identify the economy as very important to their midterm vote.
- In Brazil, President Luiz Inácio Lula da Silva's re-election points to continued spending pressures, complicating fiscal adjustment amid rigid budget commitments and rising debt.
- The economic stakes extend beyond election-day winners to whether governments can secure support for spending, tax and trade policies whose benefits and costs fall unevenly across households and businesses.

Spain and Morocco

Pressure at the border



in direct support approved for Ceuta

- The Ceuta migration crisis illustrates how border pressures become local fiscal pressures, with immediate demands on public services.
- Spain has approved €45.3 million in direct support for services including health, education and security. Managing the response also requires cooperation with Morocco.
- The economic challenge is to fund immediate needs while maintaining services and supporting local businesses. Costs are concentrated in a small territory, while responsibility is shared across different levels of government.

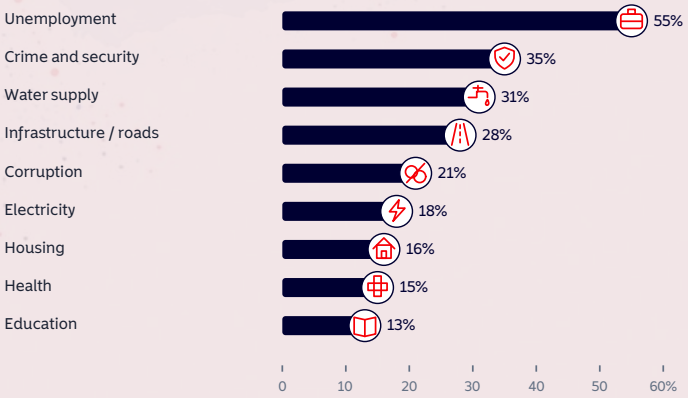
South Africa's political delivery test

Voter priorities, participation and shifting support will determine who leads local municipalities.

VOTER PRIORITIES

Jobs first, services close behind

National problems citizens want government to address, %

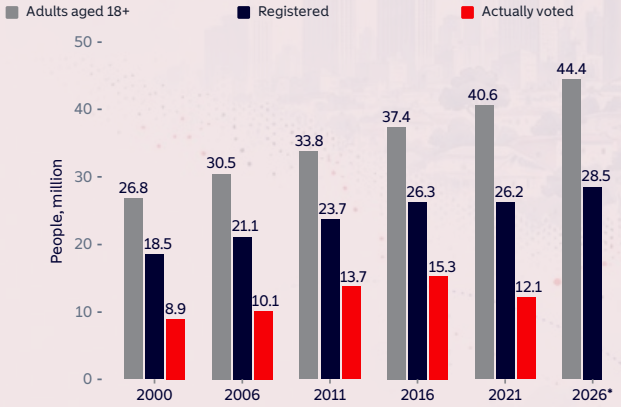


Up to three responses per person. Fieldwork June–July 2025; n=1,600.

THE PARTICIPATION GAP

A place on the roll is not a vote

Adults, registered voters and actual voters, million

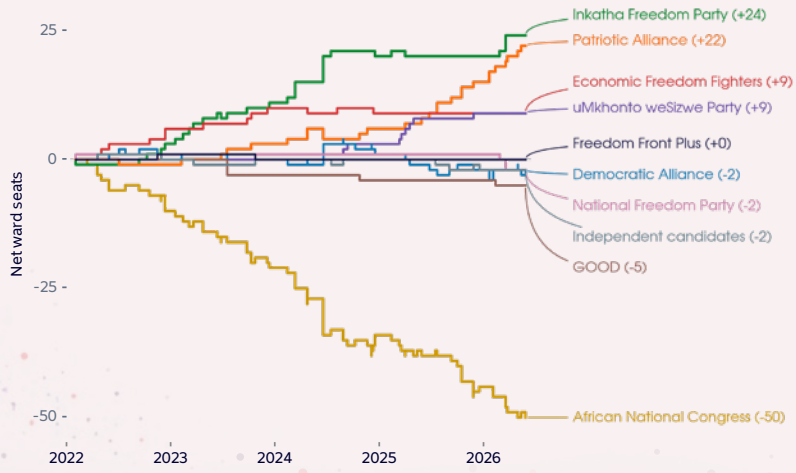


*2026 registration snapshot: 28.5 million. Turnout is not yet available.

NATIONAL BY-ELECTION TRENDS

The ward balance is shifting

Cumulative ward gains minus losses since the 2021 municipal election



ANC balance: 68 losses, 18 gains, net -50

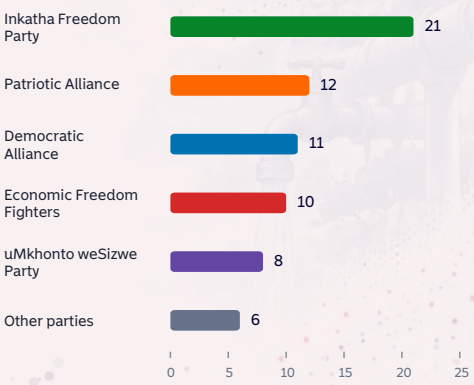
National ward seats, 2022–June 2026; holds excluded. End labels show final cumulative gains minus losses.

BENEFICIARIES OF ANC LOSSES

Where 68 ANC wards went

Ward seats won from the African National Congress, 2022–June 2026

68 ward seats lost



Other = 6: independents (2), plus ActionSA, African Unified Movement, Cederberg First Residents Association and Labour Party of South Africa (1 each).



Party support differs across the metros

Few indicative majorities according to the polls

Local loyalties shape the contest

Ipsos voting intentions (%) - 4 September 2026

	Johannesburg	Tshwane	Ekurhuleni	eThekwini	Nelson Mandela Bay	Buffalo City	Cape Town	Mangaung
ANC	31%	22%	24%	10%	37%	29%	26%	32%
DA	28%	31%	21%	17%	37%	33%	46%	36%
MK	6%	5%	18%	55%	*	*	*	5%
EFF	8%	9%	10%	3%	8%	27%	11%	17%
ACTIONSA	14%	11%	13%	4%	5%	*	*	2%
IFP	*	*	*	6%	*	*	*	*
PA	3%	2%	2%	*	5%	4%	8%	*
OTHER PARTIES	7%	18%	9%	5%	5%	7%	7%	*
DON'T KNOW	3%	2%	3%	*	3%	*	2%	*
Maximum 95% margins of error, percentage points	±5.57	±7.94	±6.86	±6.86	±12.12	±15.46	±6.12	±15.46

Who governs is only the beginning

South Africa's local elections will test whether stronger political competition can translate into better economic management. Fragmented support could leave smaller parties determining who governs, while uneven turnout means the winning administration may draw its backing from a relatively narrow share of eligible voters. Building agreement around difficult reform, spending and investment decisions will therefore extend beyond assembling a council majority.

The economic payoff will depend on whether governing agreements survive long enough to implement credible budgets, retain skilled officials and develop infrastructure. Competition can sharpen accountability, but repeated leadership changes and bargaining over appointments can delay longer-term investment projects. Promises of better services also require an improvement in governance, particularly where weak collections and arrears already constrain municipal finances.

For businesses and households, unreliable water, electricity and roads raise costs and divert money towards private alternatives. Stronger municipalities can reverse that pressure, support property investment and create conditions for employment growth. Continued deterioration would weaken local revenue bases and increase pressure for national support. We would therefore judge the election outcome by the durability of governing arrangements and measurable improvements in delivery, with recovery likely to remain uneven across municipalities.



Sources: Financial Times, Politico, RealClearPolitics, TimesLive, The Outlier, GroundUp, Ipsos, Afrobarometer, Independent Electoral Commission and Momentum Group

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October 2026

UNITED STATES

America's economy remains resilient, but its politics are buckling under the rising cost of living. September inflation of 3.7% and regular fuel at US$4.28 per gallon have turned the Iranian war into a household budget shock, squeezing purchasing power and Republican electoral prospects. Employment and industrial indicators suggest continued expansion, but this resilience has done little to ease households' sense that their living standards are slipping. Ahead of November's midterms, Democrats are leading the RealClearPolitics congressional polling average by 8.3 percentage points. Prediction markets reinforce that warning. Kalshi and Polymarket put Democrats' chances of winning the House at 90–92%, compared with 64–67% for the Senate. A congressional rebuke could constrain Trump's legislative ambitions, but he is likely to be left with substantial presidential discretion over trade and foreign policy.

Forecast 2026:
GDP: **2.3%**
Core PCE Inflation: **3.1%**
Forecast 2027:
GDP: **2.2%**
Core PCE Inflation: **2.5%**

EUROZONE

French 10-year government bond yields surpassed 5% in October as fiscal concerns, violent protests and uncertainty ahead of next year's presidential election unsettled investors. The country's projected budget deficit of 5.4% of GDP highlighted doubts about France's ability to repair its finances. Cost-of-living protests in France and Italy underscored pressure on governments to ease household hardship. Italy nevertheless aims to preserve fiscal credibility, forecasting a 2026 deficit below the European Union's 3% ceiling. Meanwhile, Eurozone inflation reached 3.8% in September as energy prices surged 18.8%, squeezing household incomes and complicating monetary policy. Markets priced an 85% chance of a December rate increase, adding to financing pressures. With elections approaching across major European economies, governments have limited room to support households without unsettling bond markets. Political fragmentation could further complicate fiscal adjustment and agreement on shared economic priorities.

Forecast 2026:
GDP: **1.0%**
HICP Inflation: **3.0%**
Forecast 2027:
GDP: **1.2%**
HICP Inflation: **2.8%**

UNITED KINGDOM

Chancellor John Healey's first Budget paired targeted relief from the energy shock with selective tax increases, seeking to support households without unsettling bond markets. A £100 payment for 20 million households, extended electricity VAT relief and fuel duty support will ease immediate pressures, partly funded by a temporary doubling of the bank surcharge to 6%. Business rates concessions and £20.4bn for public investment institutions aim to strengthen investment, alongside energy, housing and regulatory reforms. The planned replacement of the pension triple lock from 2030 signals a willingness to confront longer-term spending pressures. Yet higher borrowing costs add £14bn to this year's debt-interest bill, while fiscal headroom stands at £15bn in 2029/30. With growth forecast at 1.2% this year and 1% next year, the Budget redistributes limited resources rather than materially lifting the economic outlook.

Forecast 2026:
GDP: **1.4%**
Inflation: **3.2%**
Forecast 2027:
GDP: **1.3%**
Inflation: **3.1%**

JAPAN

Prime Minister Sanae Takaichi's investment ambitions are testing investors' tolerance for fiscal expansion in the G7's most indebted economy. Plans to mobilise public and private capital for artificial intelligence, semiconductors and shipbuilding promise stronger productive capacity, but concerns over their financing have weighed on the yen. A weaker currency also raises import costs, complicating the Bank of Japan's efforts to contain inflation without derailing growth. Having raised its policy rate to 1.25% in September, the central bank is expected to pause before considering another increase in December. Renewed oil price pressures could strengthen the case for tightening, although equity market volatility argues for caution. Meanwhile, closures among established small businesses expose deeper strains from rising costs, demographic decline and shifting consumer demand, which have led to a reconsideration of government support for smaller firms.

Forecast 2026:
GDP: **0.8%**
Inflation: **1.9%**
Forecast 2027:
GDP: **0.9%**
Inflation: **1.8%**

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CHINA

China's widening tax net is exposing the fiscal pressures behind Beijing's pursuit of technological self-reliance. Authorities began collecting a 20% tax on dividends and interest from offshore trusts in October, targeting wealthy residents' overseas income as land sale revenues stagnate and local governments require greater central support. The campaign also advances President Xi Jinping's redistribution agenda but cannot by itself resolve the economy's underlying weakness. Growth slowed to 4.3% in the second quarter as retail spending weakened and fixed investment contracted. Rising debt-servicing costs further constrain policy choices. Yet Beijing continues to favour advanced manufacturing and technology over broader support for household demand, limiting the prospect of a decisive consumption recovery. Meanwhile, unresolved disputes with the United States and rare earth export restrictions create further uncertainty in the external environment.

Forecast 2026:
GDP: **4.5%**
Inflation: **0.8%**
Forecast 2027:
GDP: **4.5%**
Inflation: **0.8%**

EMERGING MARKETS

Indonesia's market turmoil highlights the costs of weakening investor confidence. Equities have fallen more than 40% this year, while MSCI's threat of index exclusion or a downgrade to frontier status, risks substantial capital outflows. Higher oil subsidies are straining the budget, and currency weakness has forced monetary tightening. Measures to increase listed companies' freely traded shares may improve market access, but restoring policy credibility remains essential. Negative outlooks from Moody's and Fitch reinforce concerns that less predictable policymaking could raise financing costs. Meanwhile, India offers a stronger growth story, with its central bank forecasting an economic expansion of 7.1%, although higher energy costs pose risks for the oil importer. In Brazil, President Lula's re-election reversed investors' bets on faster fiscal consolidation, triggering a sharp currency sell-off. With a fiscal deficit around 8% of GDP, continued spending pressures could keep interest rates elevated and restrain growth. Domestic policy credibility remains central to how these economies weather external pressures, although emerging markets overall have held up relatively well during the global bond sell-off.

Forecast 2026:
GDP: **3.7%**
Inflation: **3.4%**
Forecast 2027:
GDP: **4.3%**
Inflation: **3.2%**

SOUTH AFRICA

Finance Minister Enoch Godongwana's medium-term budget sought to reinforce fiscal credibility ahead of November's municipal elections. A R17.1bn tax revenue overrun helped narrow the projected 2026/27 deficit to 3.9% of GDP, although commodity-related gains may prove temporary. Treasury cut its 2026 growth forecast to 1.2%, underscoring the difficulty of sustaining consolidation without stronger investment. Proposed fiscal guardrails and tighter municipal financial oversight aim to protect progress, while an additional R21.8bn over the medium term for the local government equitable share targets basic services. Delivery will shape outcomes from the upcoming local government contest. A total of 29.2 million voters are registered for the 4 November elections, with 546 parties competing, compared with 325 in 2021. The Independent Electoral Commission (IEC) has secured 23 696 voting stations, but youth participation remains a concern. Only 42.1% of those aged 18–35 are registered, while this cohort accounts for 22.7% of candidates. Security risks also demand attention. President Cyril Ramaphosa authorised 510 soldiers to support police in KwaZulu-Natal following violence linked to misinformation about a Constitutional Court refugee-law judgment. Greater electoral competition could strengthen accountability, but fragmented councils risk prolonging coalition instability and delaying the service improvements needed to translate fiscal discipline into public confidence.

Forecast 2026:
GDP: **1.2%**
Inflation: **4.2%**
Forecast 2027:
GDP: **1.5%**
Inflation: **3.7%**

Group Economic Insights



Sanisha Packirisamy
Group Economist



Tshiamo Masike
Economist

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