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Note: Shaded area in graphs denotes the downward phase of the business cycle.

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Highlights

MIXED NEWS ON NOVEMBER HIGH-FREQUENCY DATA

Mining production declined by -0.2% during November (seasonally adjusted, s.a.); compared to a year before, output was down by -0.9%. A decline in gold production shaved 1.5 percentage points off annual growth. In consumer-focused data, positively, real **retail trade** sales grew by 0.8% (s.a.) during November. While slower than October's 1.6%, this contributed to an annual growth rate of 7.7%. Growth was seen across all categories except for hardware, paint, and glass. Conversely, real **wholesale trade** sales contracted by -3.1% during the month (+3.5% in October); compared to a year before sales were down by -7.3%. Except for October, wholesale trade has contracted on an annual basis for each month in 2024 so far. **Motor trade** sales declined by 0.8% (s.a.) during November, contributing to an annual drop of -2.2%. New vehicle sales were a positive contributor, but this was largely offset by a decline in fuel sales. Thus far, the internal trade data paints a mixed picture for the fourth quarter of 2024.

DECEMBER CONSUMER INFLATION AT 3%

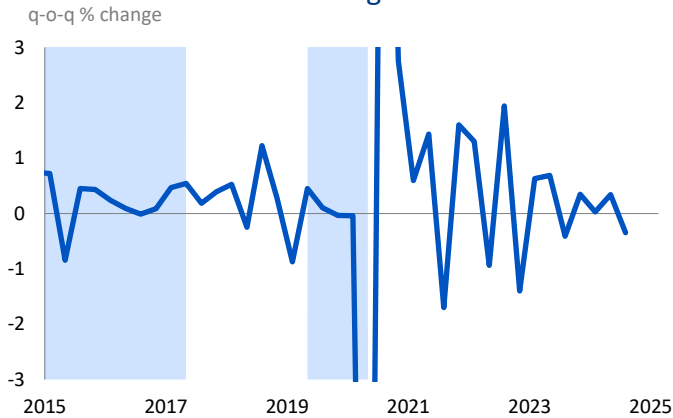
Annual headline **CPI inflation** accelerated to 3.0% in December, up from 2.9% in November. The main contributors were miscellaneous goods and services, and housing and utilities. Core inflation (which removes volatile energy and food prices) was measured at 3.6%. Owner's Equivalent Rent (OER), which was surveyed in December, came in at an annual 2.8%. This component, which accounts for 15% of the CPI basket and serves as a key measure of demand-driven inflation, remains notably subdued. Food inflation also surprised to the downside.

RESERVE BANK LOWERS INTEREST RATE BY 25 BPS

On 30 January, the Monetary Policy Committee (MPC) of the South African Reserve Bank decided to lower the repo rate for a third consecutive meeting by 25 basis points, to 7.5%. Not all MPC members voted for the reduction; two of the six preferred that the policy rate remain unchanged. Even more than before, the Bank focused on the upside risks to inflation — especially over the medium term, which is deemed more uncertain than usual. The MPC acknowledged limited space for the US Federal Reserve (Fed) to ease policy further and even warned that the Fed may hike its interest rate if inflation picks up once again. In terms of its domestic forecast, the Bank sees headline inflation average at 3.9% in 2025 (down from 4% before), and unchanged at 4.6% in 2026 and 4.5% in 2027. It sees real GDP growth accelerate to 1.8% next year and reach 2% by 2027.

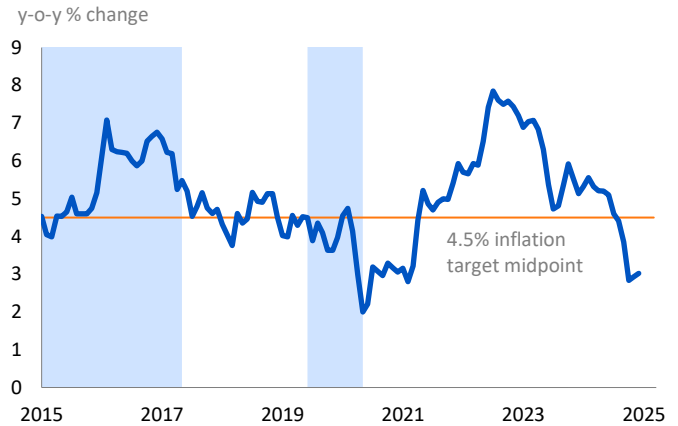
Core indicators

Real GDP growth



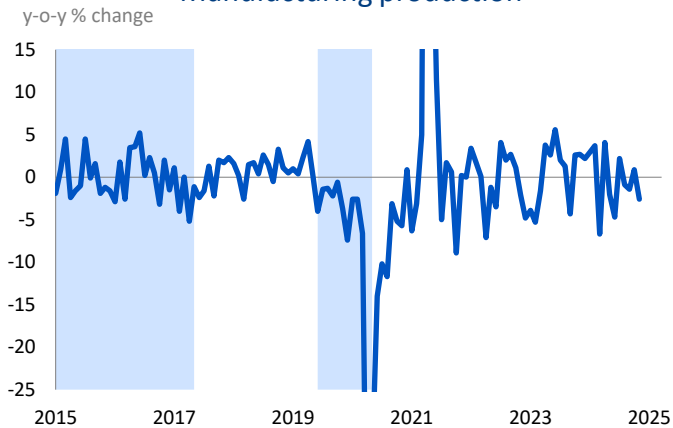
Source: Stats SA

CPI inflation



Source: Stats SA

Manufacturing production



Source: Stats SA

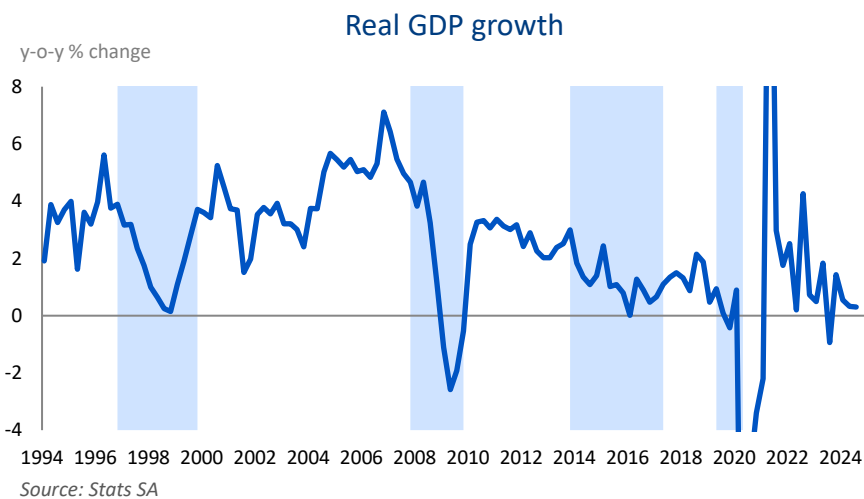
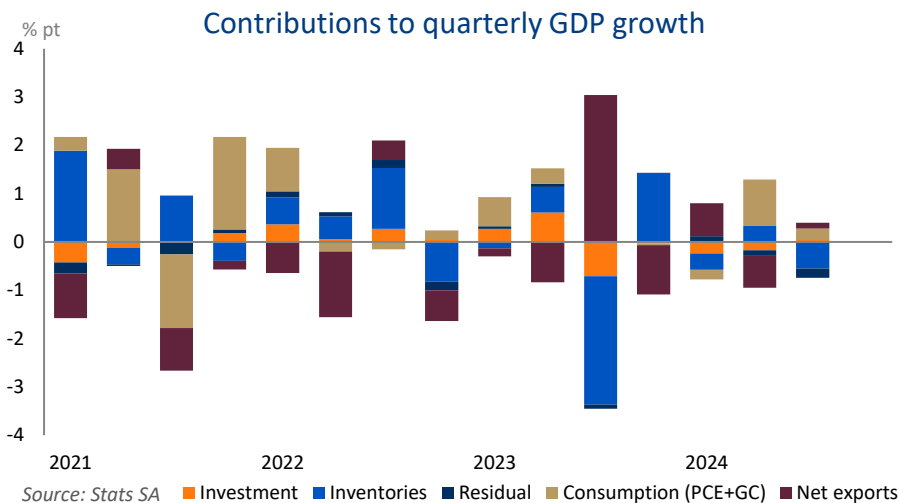
Interest rates



Source: DataStream

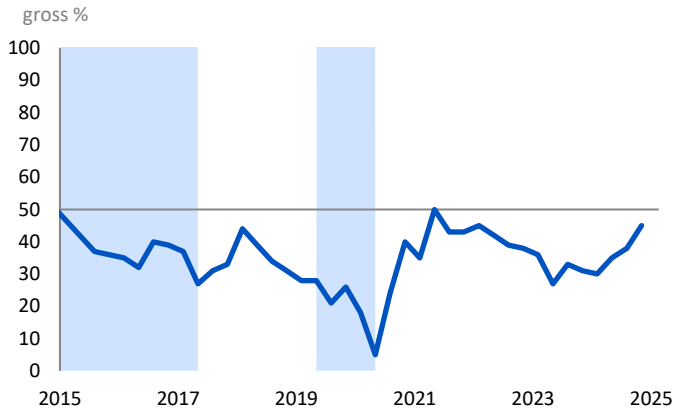
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GDP growth



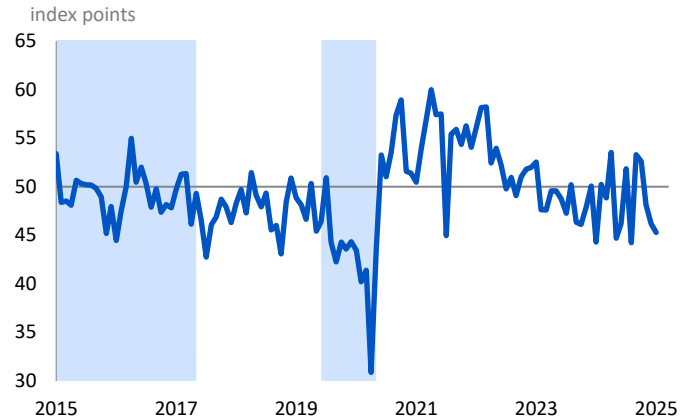
Business environment

RMB/BER Business Confidence Index



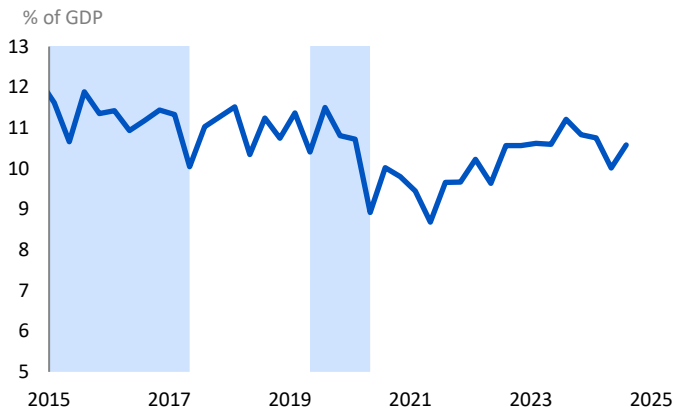
Source: BER

Absa Purchasing Managers' Index



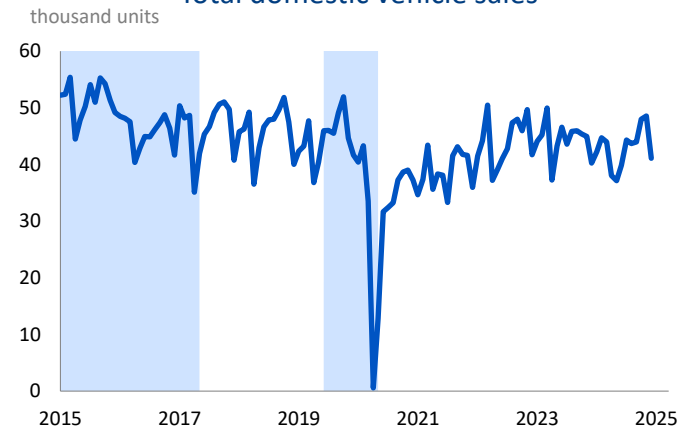
Source: BER

Private fixed investment



Source: SARB, Stats SA

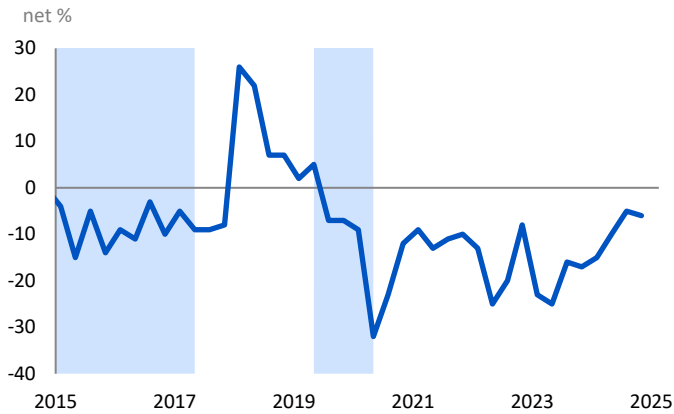
Total domestic vehicle sales



Source: Naamsa

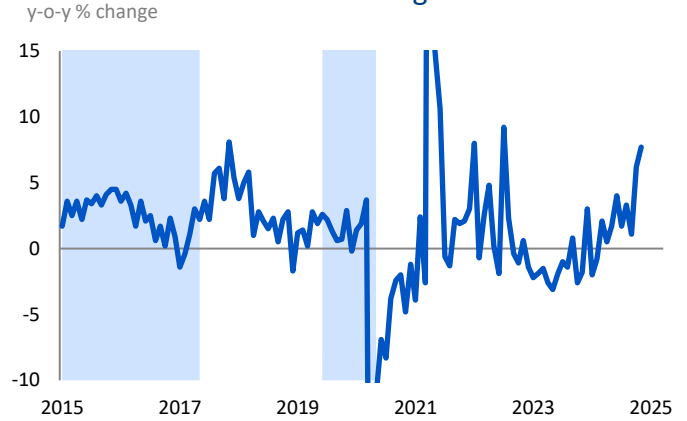
Household consumption

FNB/BER Consumer Confidence Index



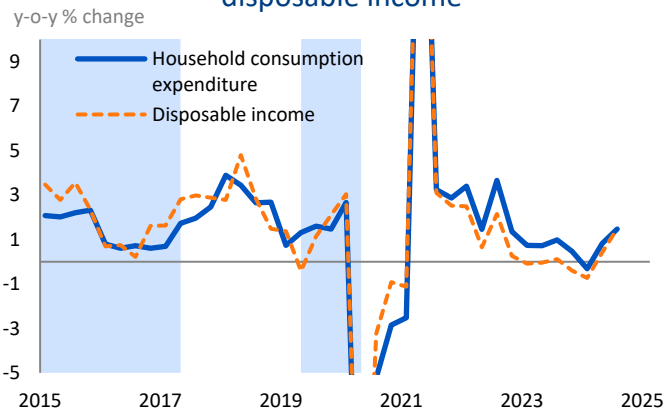
Source: BER

Real retail sales growth



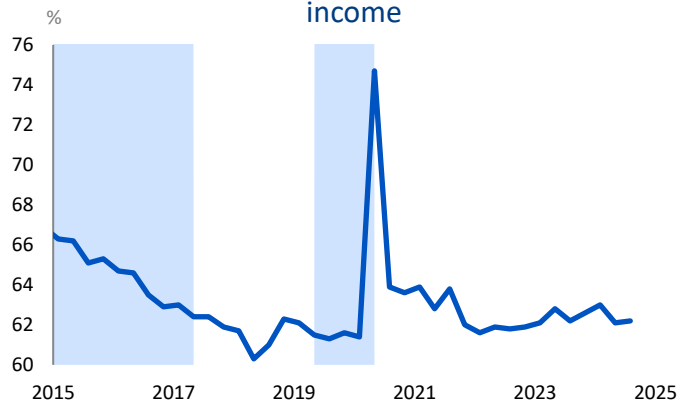
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

Ratio of household debt to disposable income

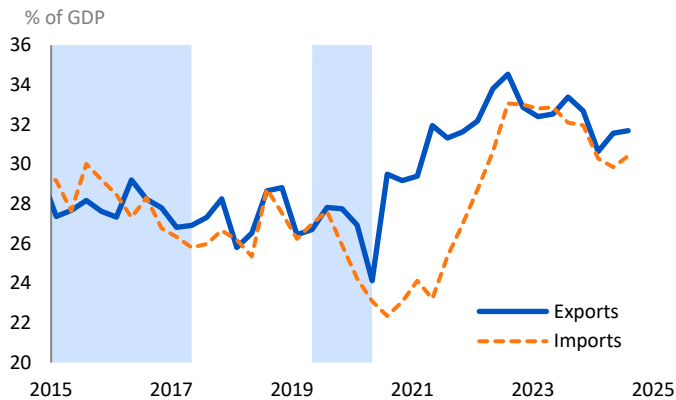


Source: SARB

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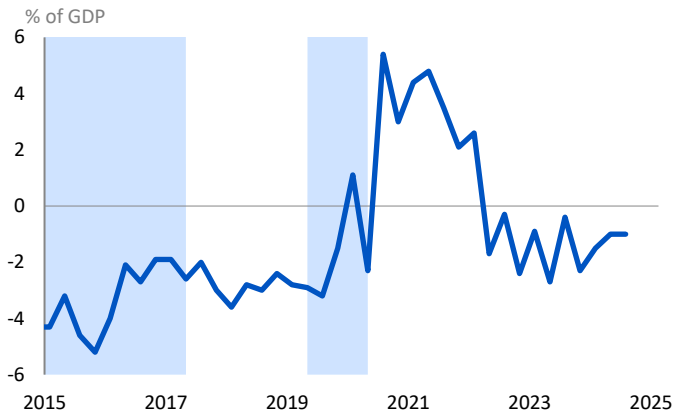
International trade

Imports and exports



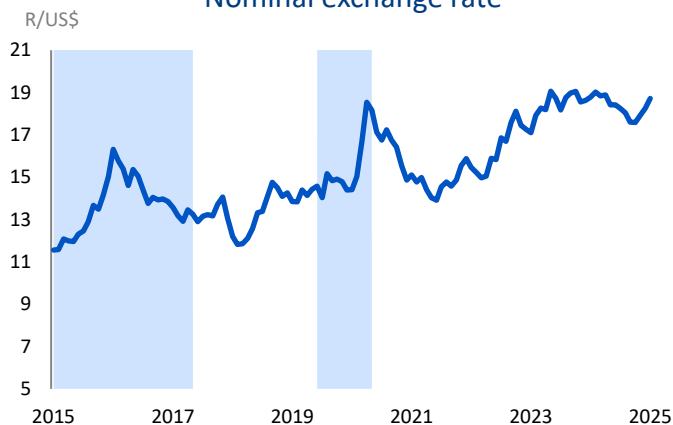
Source: SARB

Current account balance



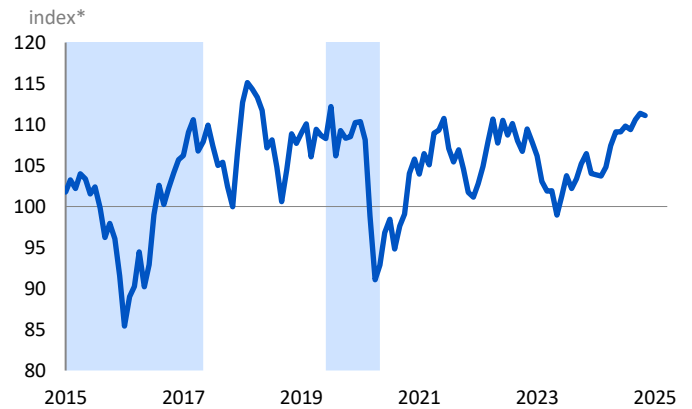
Source: SARB

Nominal exchange rate



Source: DataStream

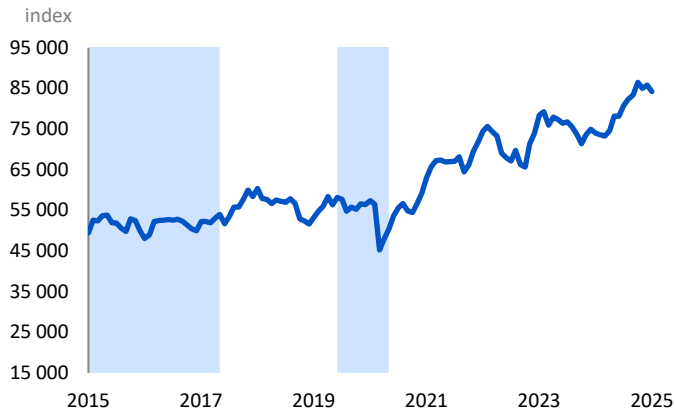
Real effective exchange rate of the Rand



Source: SARB *higher values denote a stronger rand

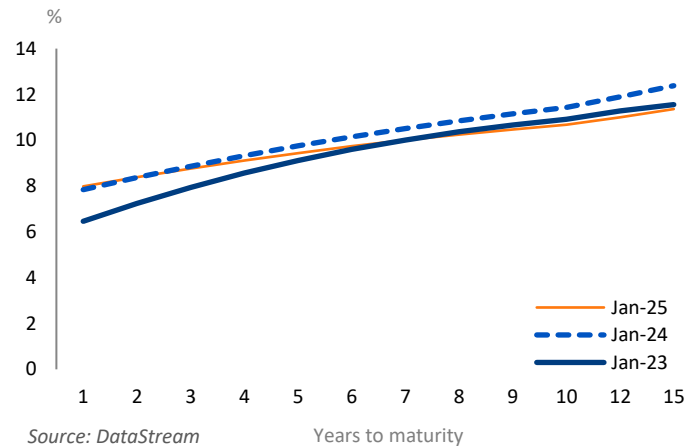
Financial markets

JSE all share index



Source: DataStream

Yield curve comparisons



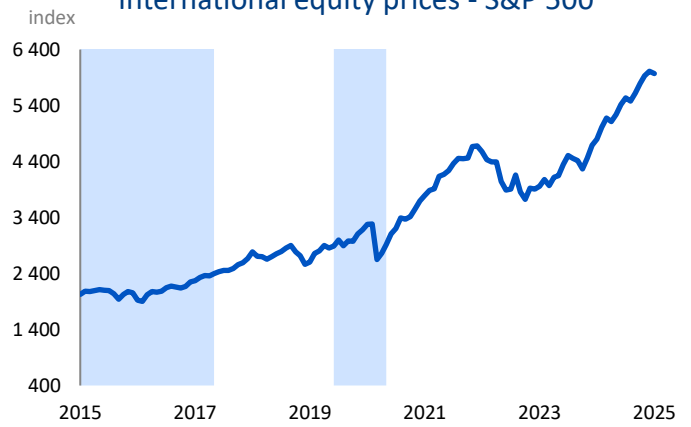
Source: DataStream

Economist all commodities index



Source: Economist

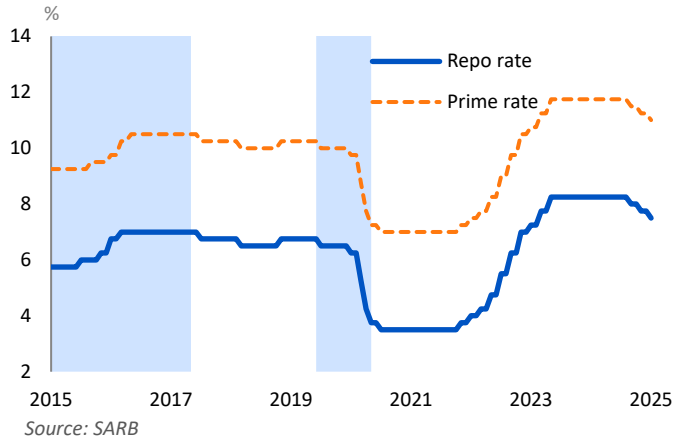
International equity prices - S&P 500



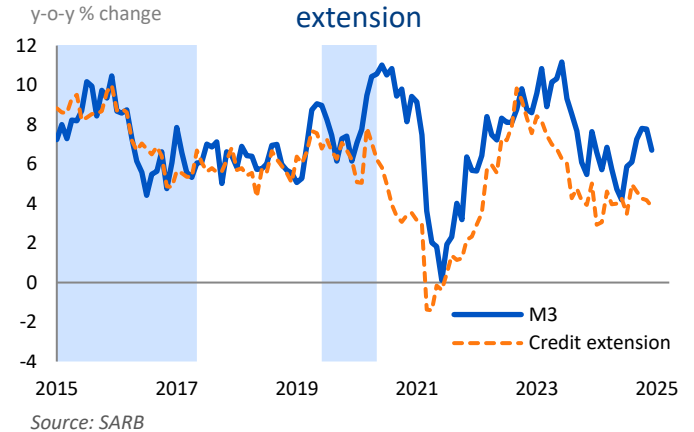
Source: DataStream

Money and prices

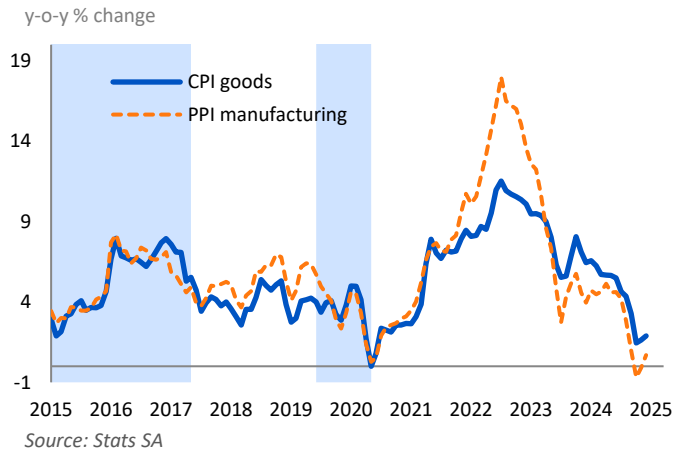
Repo and prime interest rate



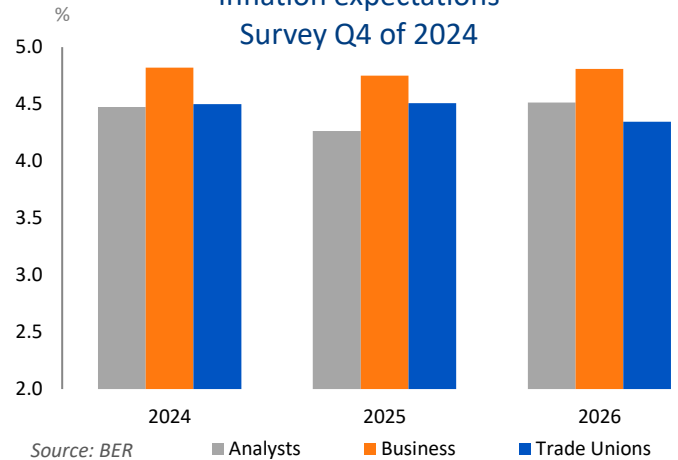
M3 monetary aggregates and credit extension



Consumer and producer prices



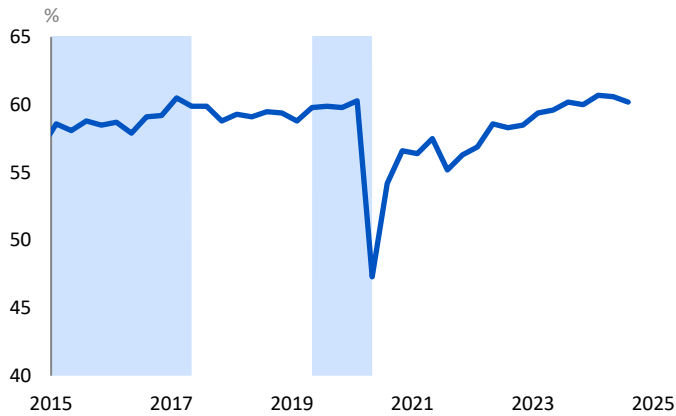
Inflation expectations Survey Q4 of 2024



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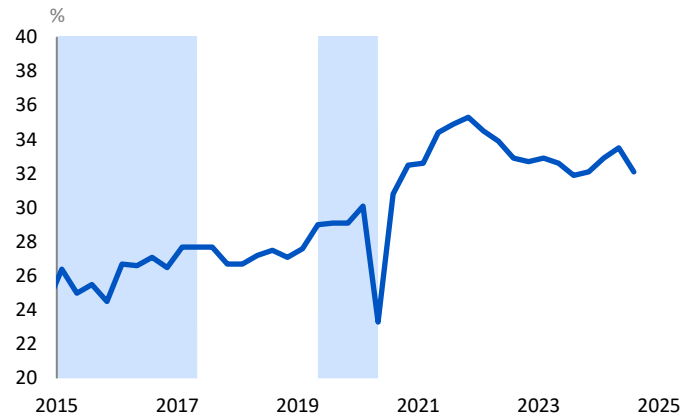
Labour

Labour force participation



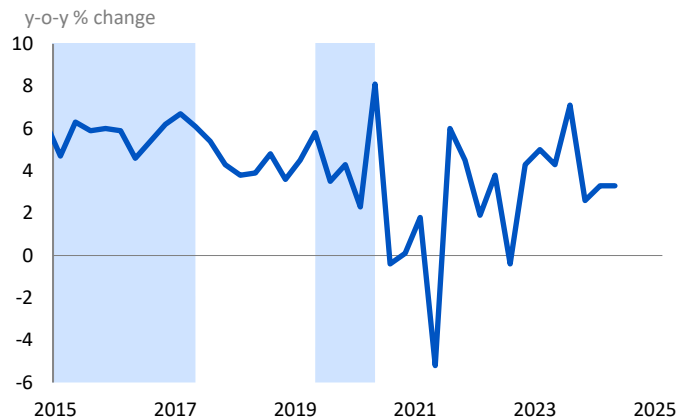
Source: Stats SA

Unemployment rate



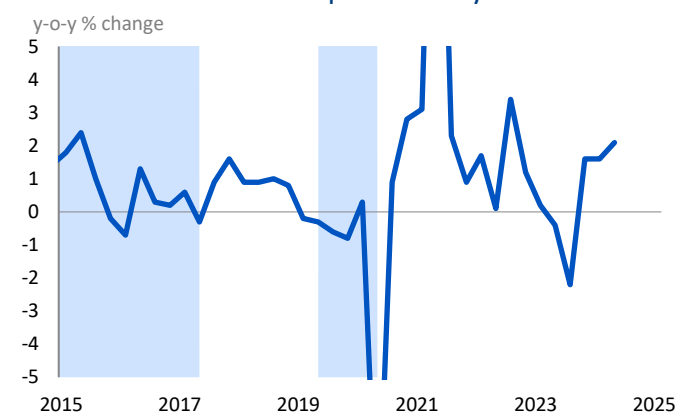
Source: Stats SA

Unit labour cost



Source: SARB

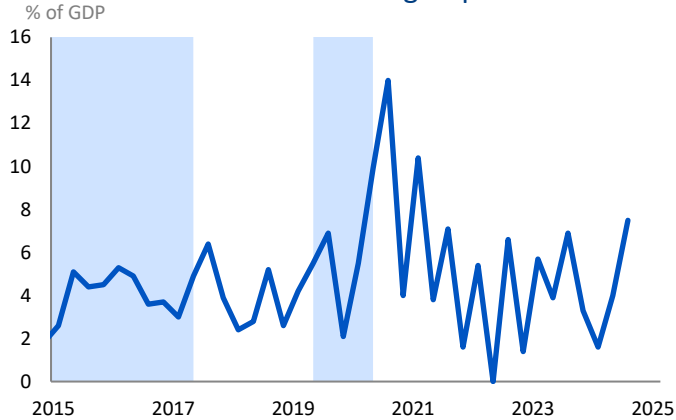
Labour productivity



Source: SARB

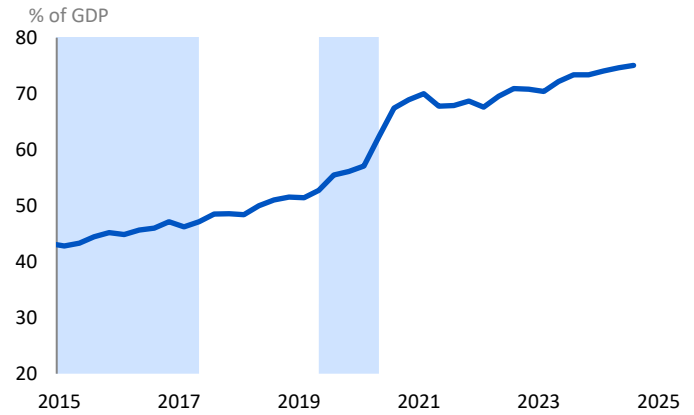
Government

Public sector borrowing requirement



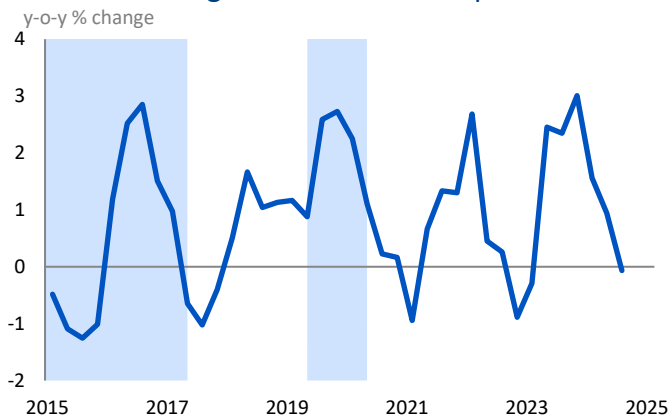
Source: SARB

Gross government debt



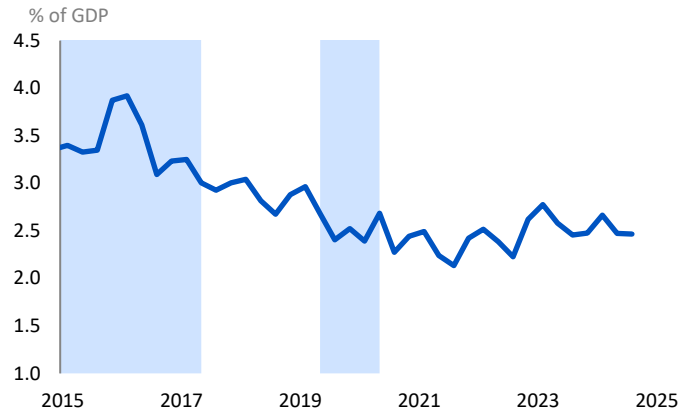
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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