BUREAU for ECONOMIC RESEARCH

Economic Snapshot | AUG 2025

Contents

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

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Highlights

RESERVE BANK LOWERS REPO RATE AND INFLATION TARGET

On 31 July, in a unanimous decision, the South African Reserve Bank's Monetary Policy Committee (MPC) cut the repo rate by 25 basis points (bps) to 7% (prime to 10.5%). In a significant move, the Governor announced that the MPC will aim for the bottom of the 3-6% target range. The change in the Bank's stance is informed by international experience, which suggests that economies with lower inflation targets tend to re-anchor inflation more quickly after shocks. The Bank sees inflation ticking up moderately over the next four quarters, before tapering back down to 3%. The decision to cut the repo rate by 25bps comes after headline inflation was at 3% in June and core at 2.9%, still at the bottom of the target range. Outside of food, price pressures across the rest of the CPI basket remain subdued. The rand has also been broadly resilient, helping to contain imported inflation.

MANUFACTURING & MINING OUTPUT ROSE IN MAY

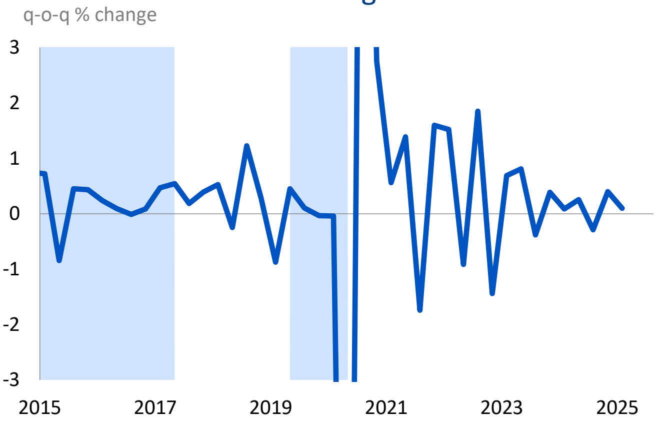
Factory output grew by an annual 0.5% in May 2025, following a contraction of 6.4% in April. It marks the first positive annual growth in manufacturing production so far in 2025. Of the ten subsectors, growth was recorded in half of them. On a monthly basis, factory output rose by 2% in May, building on growth of 1.7% in April. The second consecutive increase bodes well for the sector's contribution to second quarter GDP. **Mining production** rose by an annual 0.2% in May, marking the first yearly expansion since the start of 2025. This follows a sharp annual contraction of 7.7% in April. Iron ore was the largest positive contributor; on the downside, declines in manganese ore and coal production were the biggest drag. More important for quarterly GDP dynamics, output rose by a solid 3.7% during May (seasonally adjusted, sa) up from a flat reading in the prior month.

RETAIL & MOTOR TRADE SHOW POSITIVE GROWTH IN MAY

Real **retail trade** sales increased by an annual 4.2% in May, down from a surprisingly strong April number (5.2%). Growth was broad-based with six out of seven subsectors reporting gains. The largest positive contributors were general dealers and retailers of textiles, clothing and footwear. On a monthly basis (sa), retail sales increased by a modest 0.1%, slower than a 1.1% rise in the prior month. Meanwhile, real **motor trade** sales rose by an annual 4.7% in May, faster than a 0.2% rise before. Only two out of six subsectors detracted from annual growth, with most gains coming from used vehicle sales. Monthly motor trade sales were up by 0.2%, on -0.1% before.

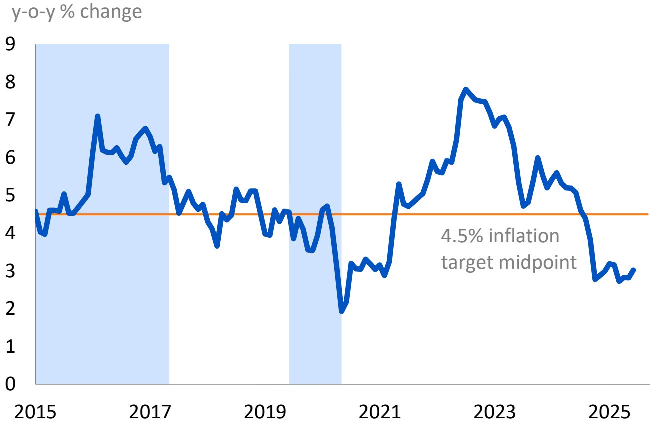
Core indicators

Real GDP growth



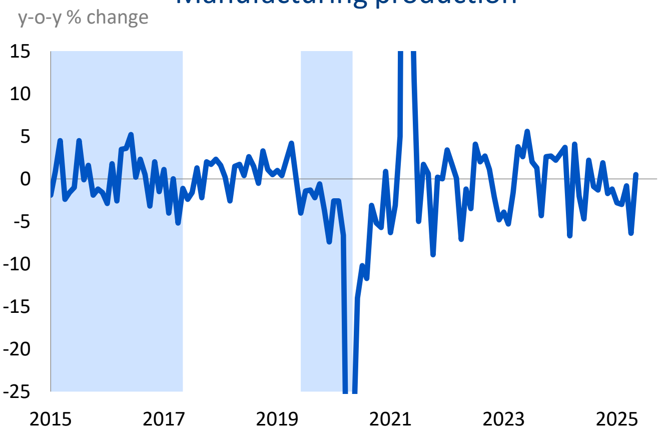
Source: Stats SA

CPI inflation



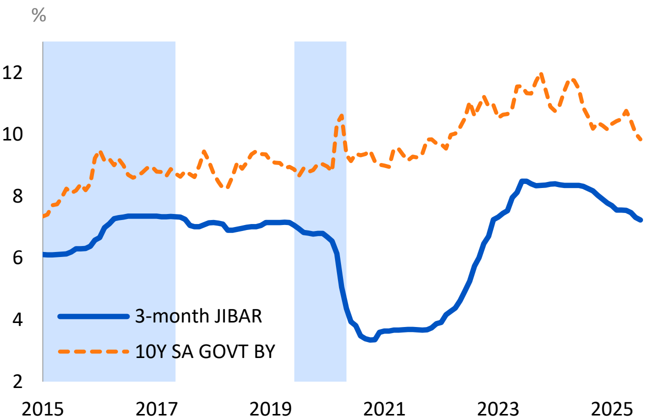
Source: Stats SA

Manufacturing production



Source: Stats SA

Interest rates



Source: DataStream

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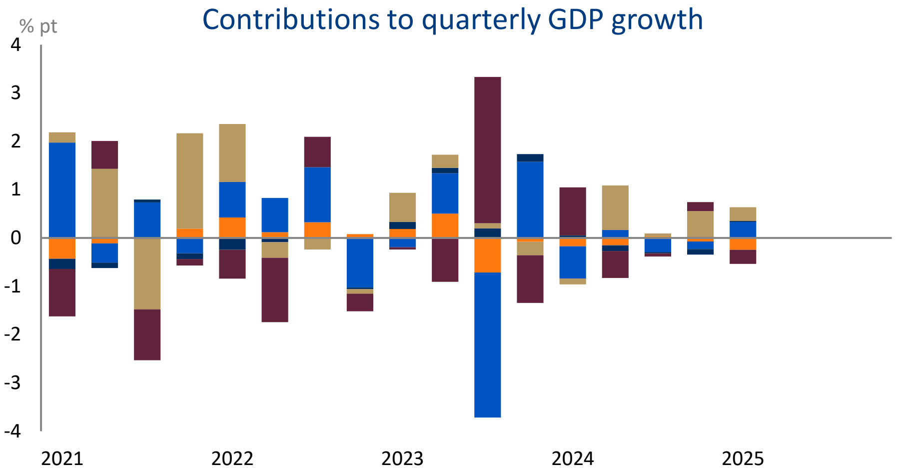
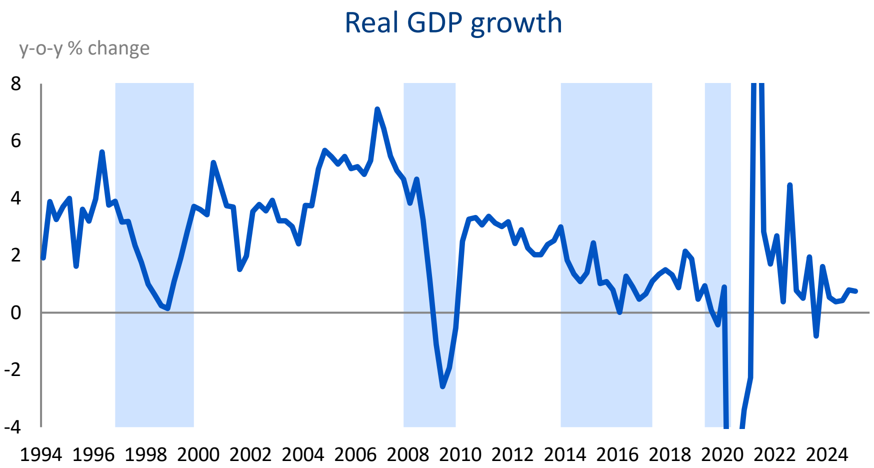
GDP growth



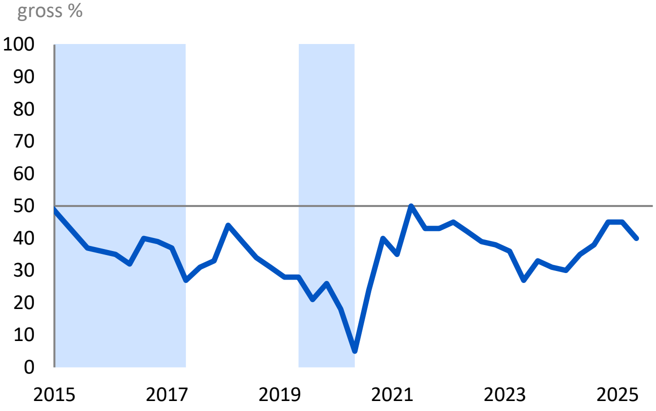
Source: Stats SA



Source: Stats SA

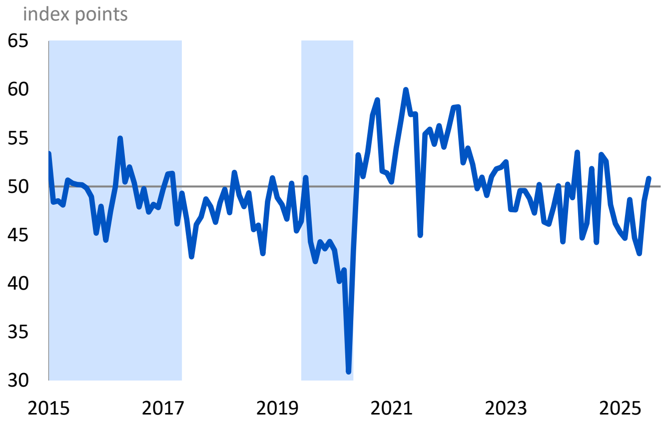
Business environment

RMB/BER Business Confidence Index



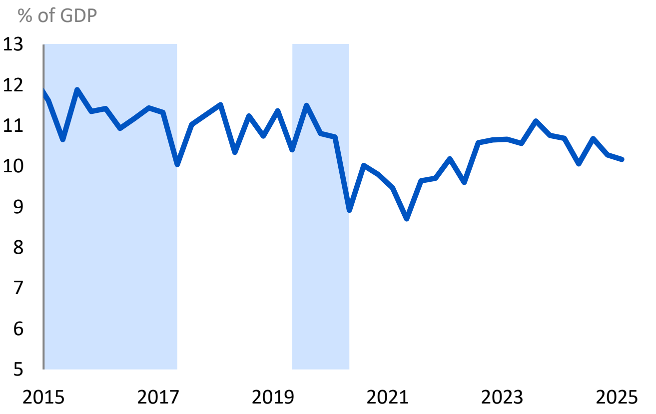
Source: BER

Absa Purchasing Managers' Index



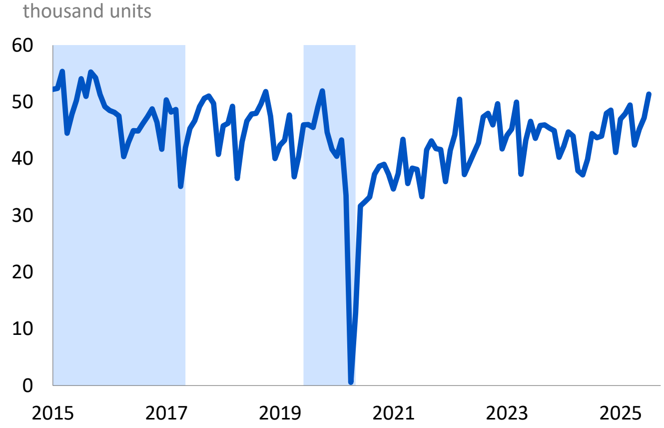
Source: BER

Private fixed investment



Source: SARB, Stats SA

Total domestic vehicle sales



Source: Naamsa

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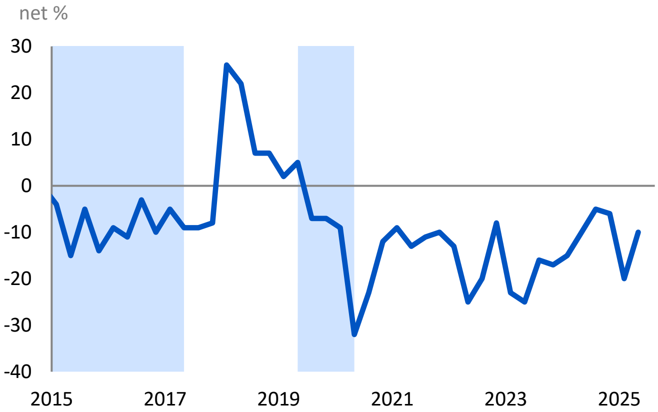
Household consumption

FNB/BER Consumer Confidence Index

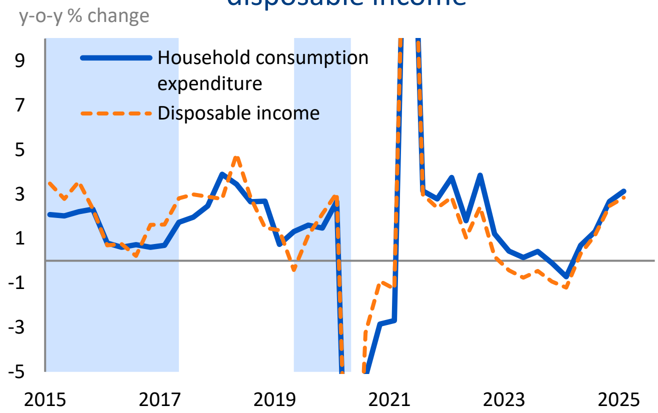


Source: BER

Real retail sales growth

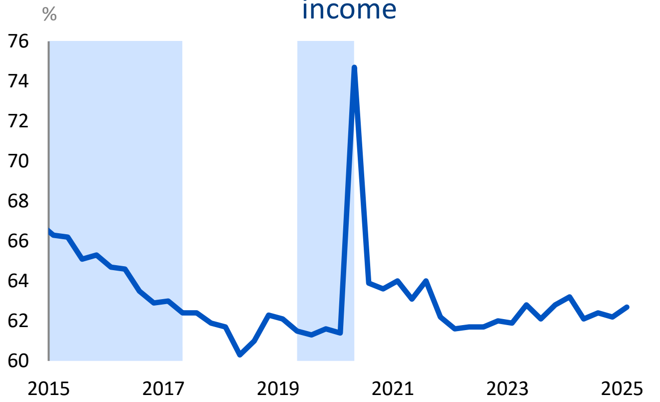
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

Ratio of household debt to disposable income



Source: SARB

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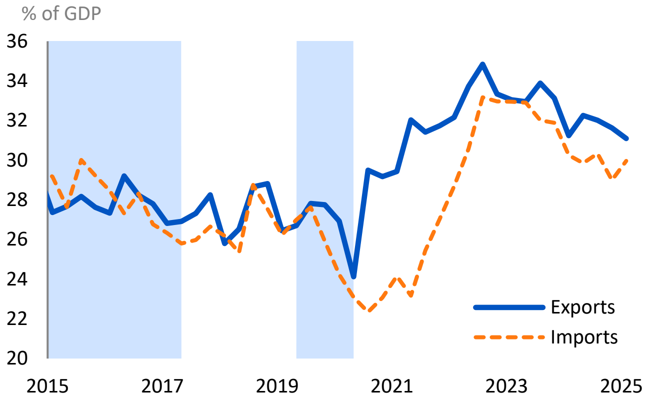
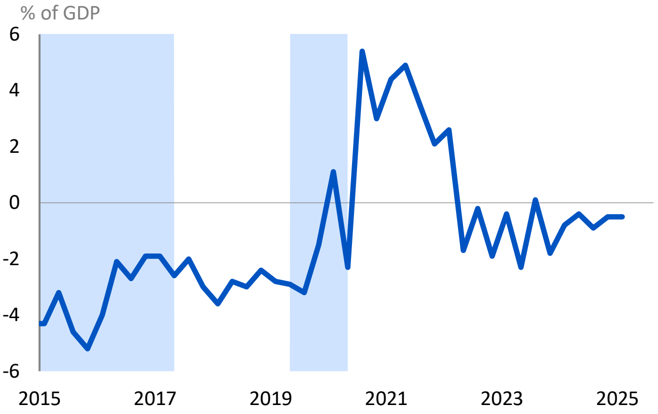
International trade

Imports and exports



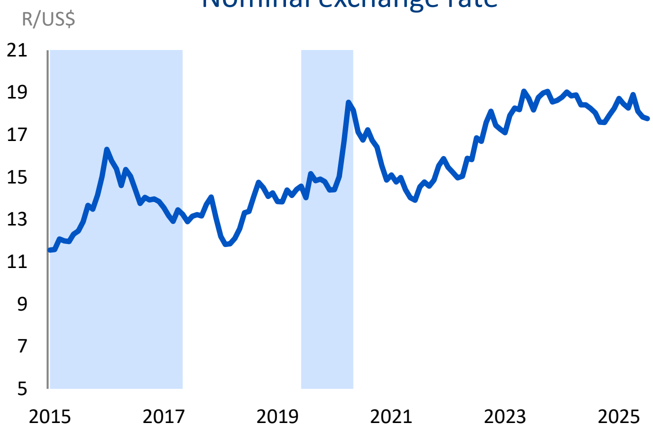
Source: SARB

Current account balance



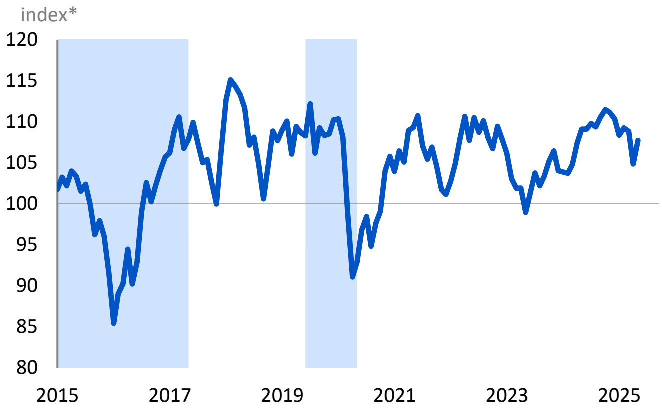
Source: SARB

Nominal exchange rate



Source: DataStream

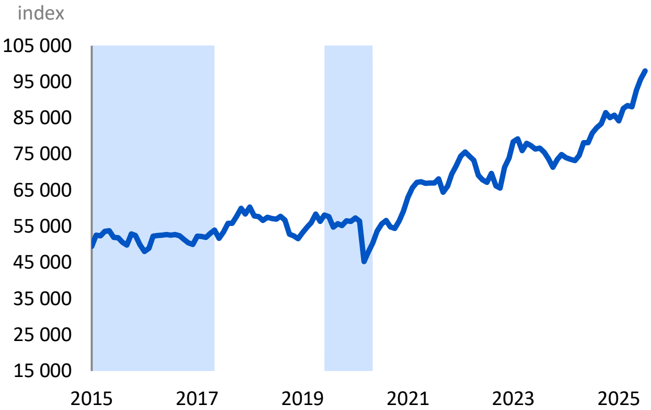
Real effective exchange rate of the Rand



Source: SARB **higher values denote a stronger rand*

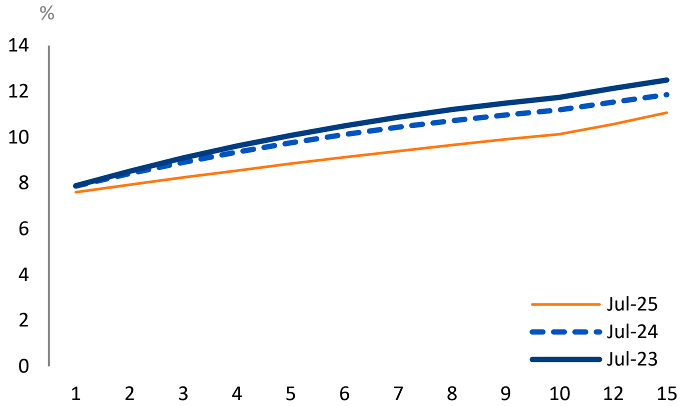
Financial markets

JSE all share index



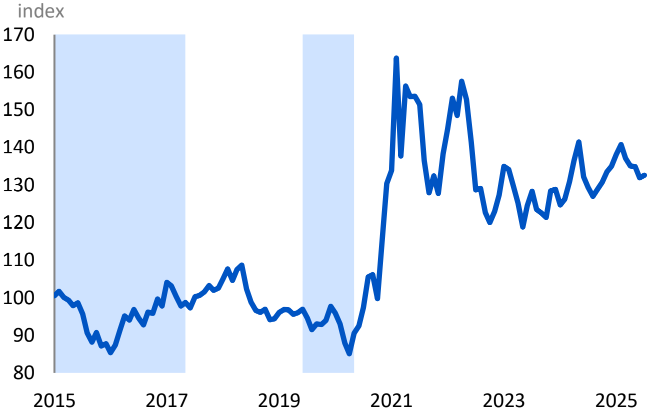
Source: DataStream

Yield curve comparisons



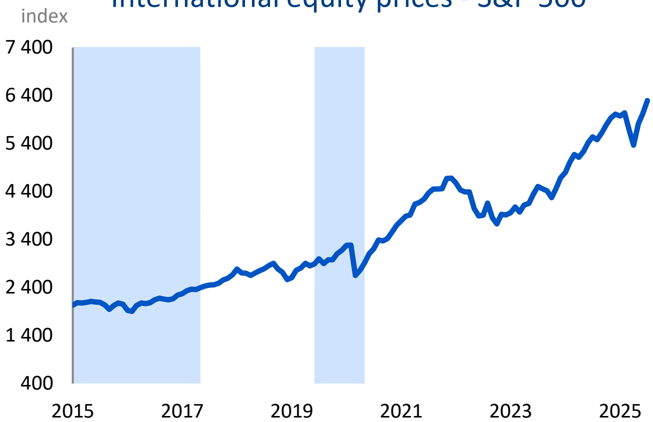
Source: DataStream

Economist all commodities index



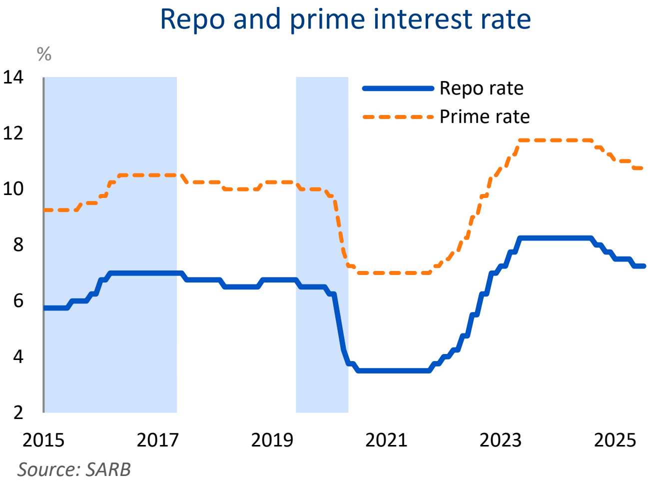
Source: Economist

International equity prices - S&P 500

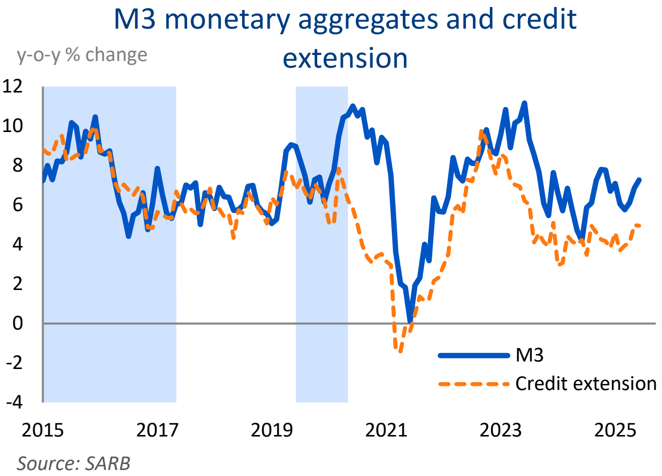


Source: DataStream

Money and prices



Source: SARB



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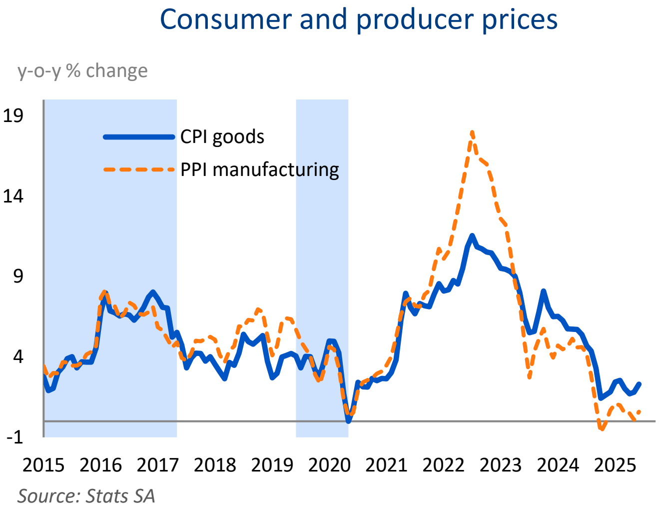
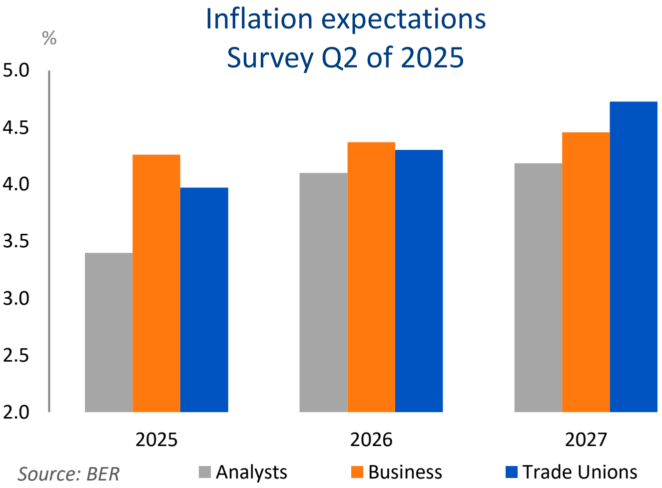


Source: Stats SA



Source: BER

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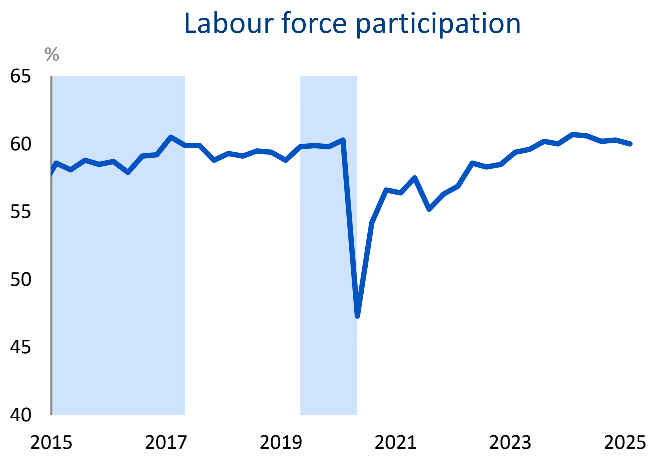
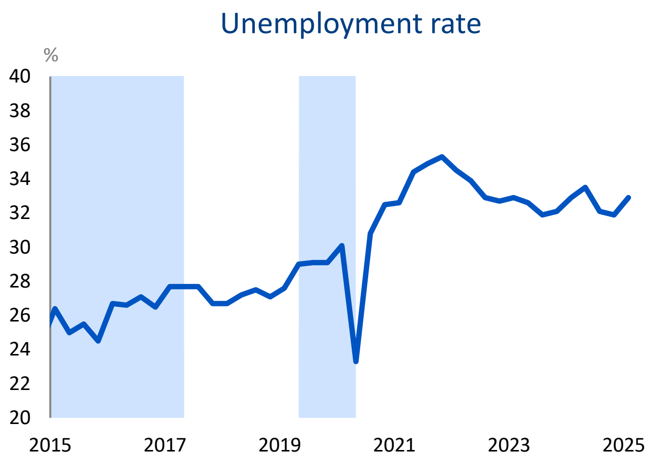
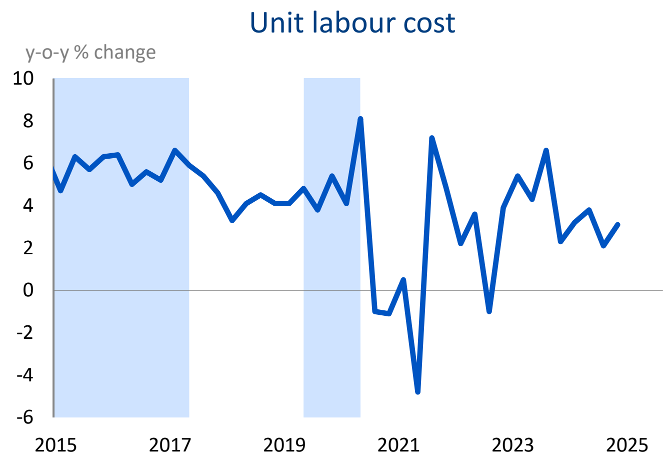
Labour



Source: Stats SA



Source: Stats SA



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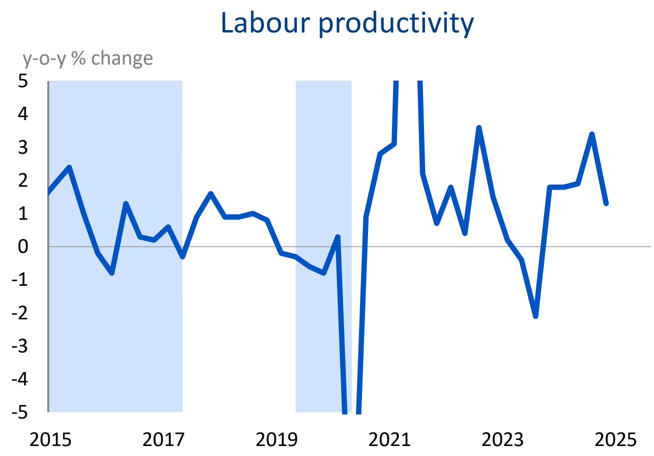

Source: SARB

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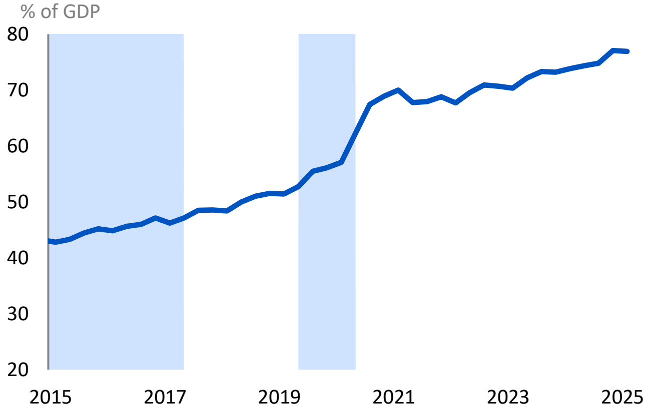
Government

Public sector borrowing requirement

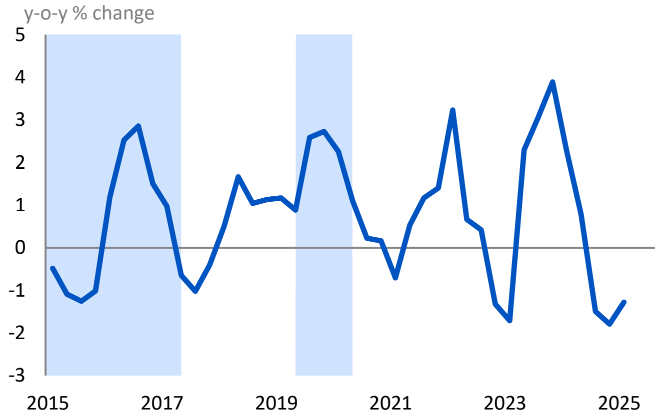
Source: SARB

Gross government debt



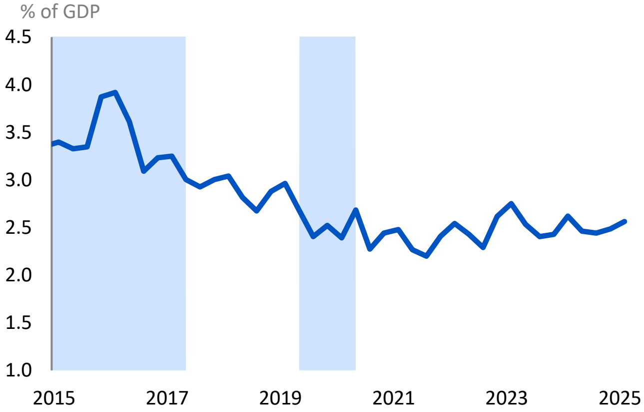
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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