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Note: Shaded area in graphs denotes the downward phase of the business cycle. As it does occasionally, the SA Reserve Bank recently made changes to the business cycle phases from 2020 to 2025, a more detailed note can be found [here](#).

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Highlights

GDP GROWTH ACCELERATES IN Q2

During the second quarter of 2025, real GDP in South Africa expanded by 0.8% (seasonally adjusted), up significantly from the 0.1% recorded in the first quarter and the highest in two years. From the production side, eight of the ten industries expanded during the second quarter, with transport and construction the only ones contracting. The mining, manufacturing and trading industries grew by 3.7%, 1.8% and 1.7% respectively. Considering GDP from the expenditure side, household consumption expanded by 0.8% and general government consumption by 0.7%, driven by purchases of goods and services and public compensation. Of great concern is that gross fixed capital formation contracted by 1.4%, following a similar slump in the first quarter (mostly due to a sharp decline in public corporations' investment). Exports also declined more than imports in the second quarter (subtracting from GDP).

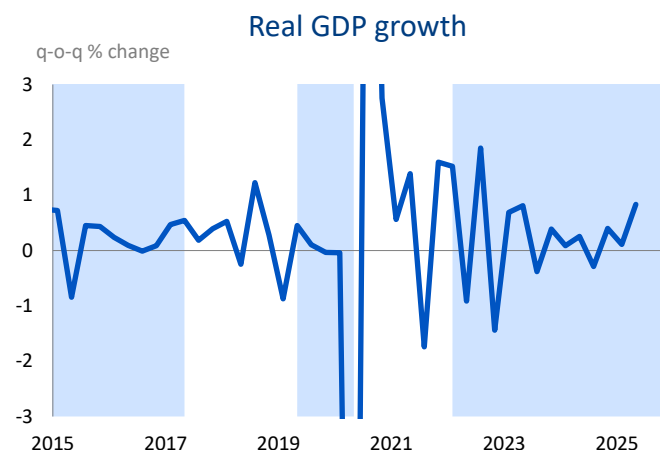
CPI SUBSIDES IN AUGUST; SARB KEEPS RATES ON HOLD

On the price front, headline consumer inflation slowed to an annual rate of 3.3% in August, down from 3.5% in July, with prices falling 0.1% during the month. While benign, inflation is faster than in the second quarter. The main drivers of annual inflation were housing and utilities (up 4.3%) and food and non-alcoholic beverages (up 5.2%). Additionally, fuel prices have been declining at a slower rate than they were previously. Core inflation (which excludes food, non-alcoholic beverages, fuel and energy) edged up marginally from 3.0% to 3.1%. Against this backdrop, on 18 September, the SA Reserve Bank kept the repo rate unchanged at 7%, following a welcome dip in third quarter inflation expectations and despite the higher July and August inflation print being above the Bank's preferred 3%. The Bank anticipates that headline inflation will rise over the next few months, peaking at around 4%, before moving lower once more.

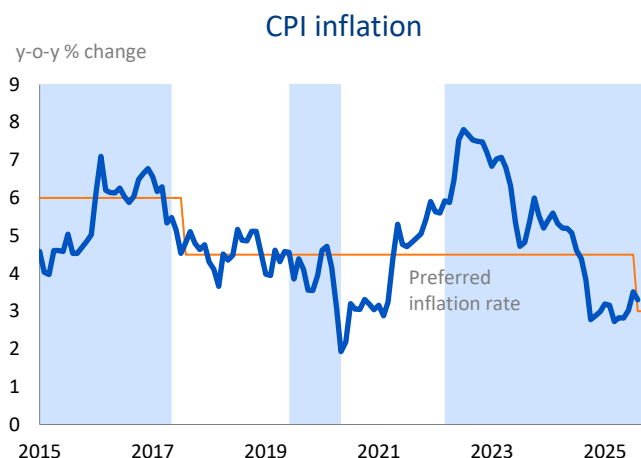
BUSINESS CONFIDENCE REMAINS UNDER PRESSURE IN Q3

During the third quarter the RMB/BER Business Confidence Index (BCI) slipped further by one index point to 39, following a five-point decline in the second quarter of 2025. This is three points below the long-term average level of 42 and implies that just over 60% of survey respondents are dissatisfied with prevailing business conditions. While survey respondents mentioned the US import tariffs, it remains difficult to disentangle the impact on production and trade. Front-loading, cancellations and production holidays in the automotive sector, for example, also affected activity over the period.

Core indicators



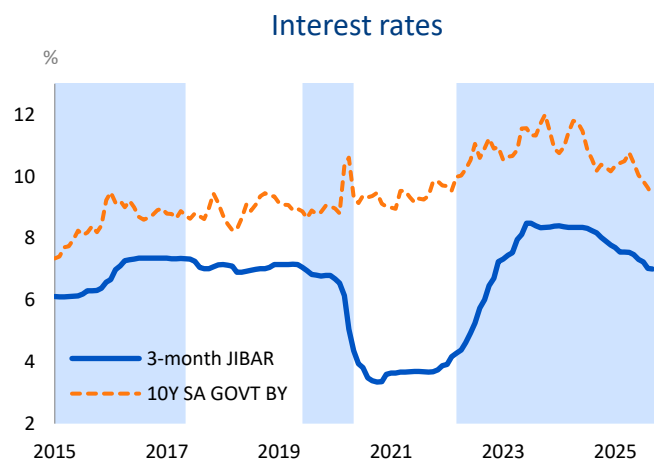
Source: Stats SA



Source: Stats SA

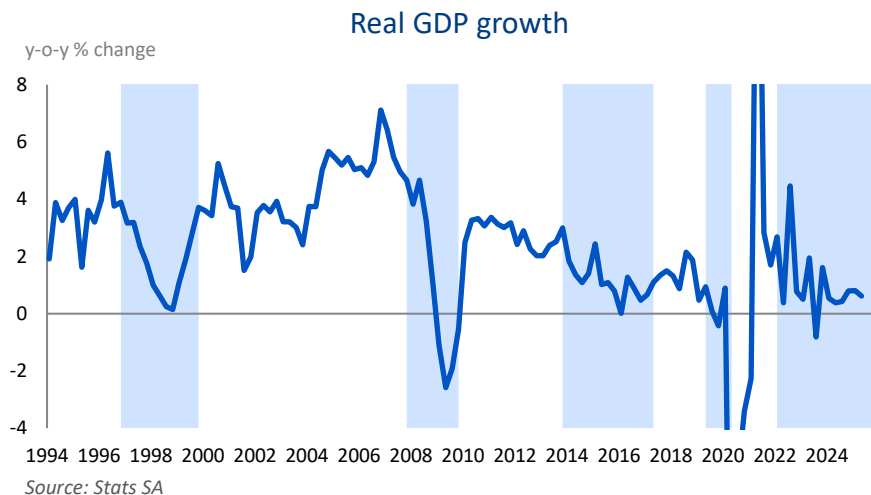
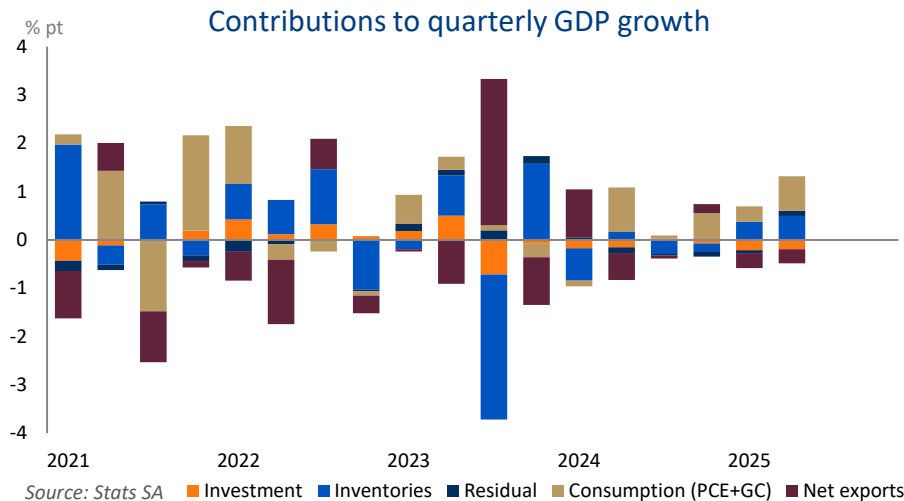


Source: Stats SA



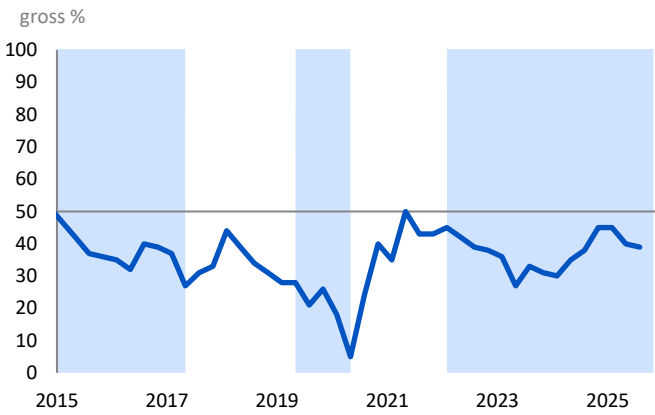
Source: DataStream

GDP growth



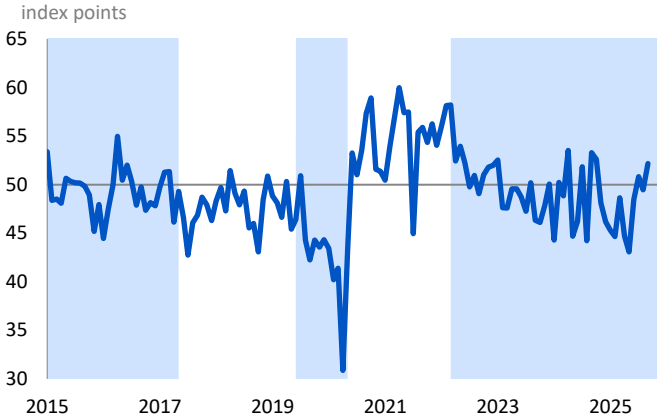
Business environment

RMB/BER Business Confidence Index



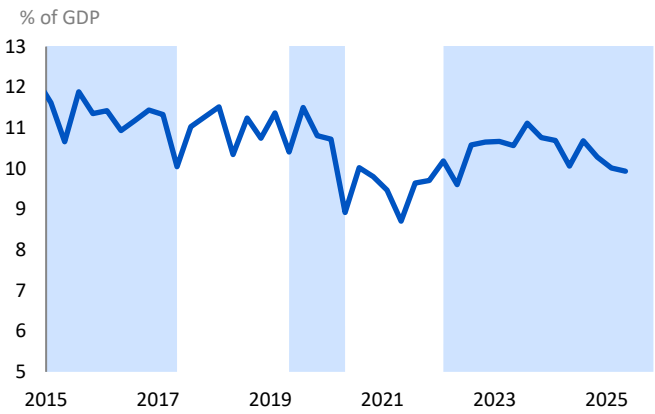
Source: BER

Absa Purchasing Managers' Index



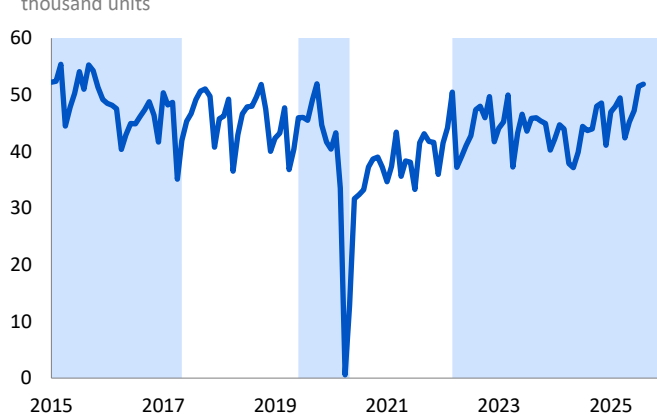
Source: BER

Private fixed investment



Source: SARB, Stats SA

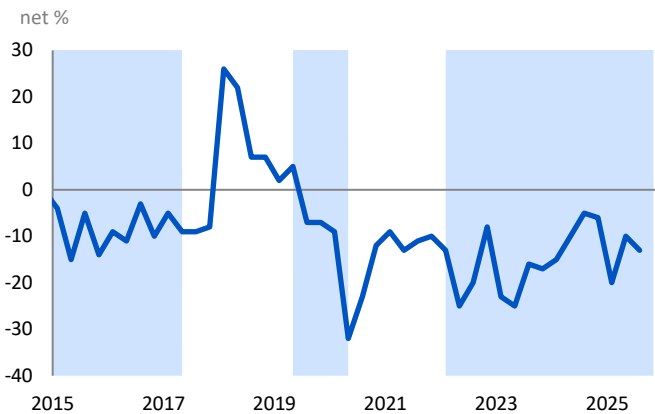
Total domestic vehicle sales



Source: Naamsa

Household consumption

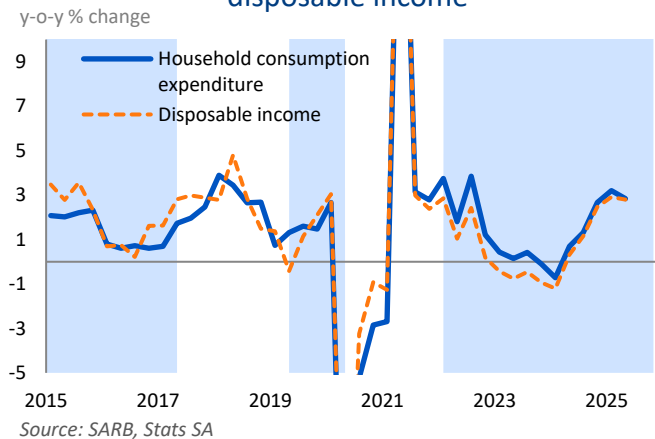
FNB/BER Consumer Confidence Index



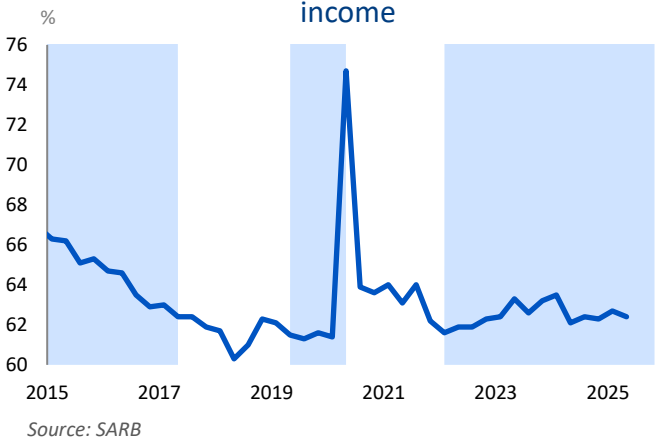
Real retail sales growth



Household consumption and real disposable income

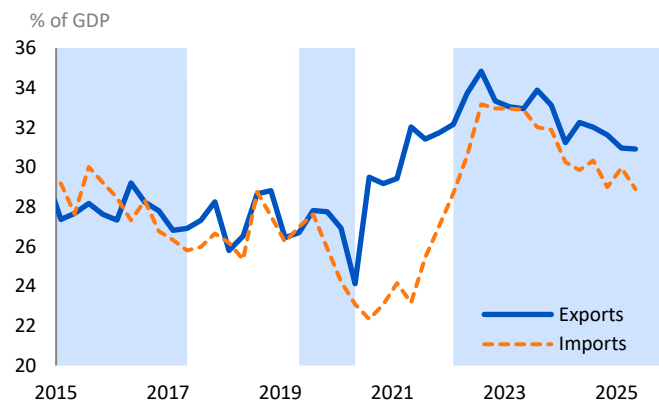


Ratio of household debt to disposable income



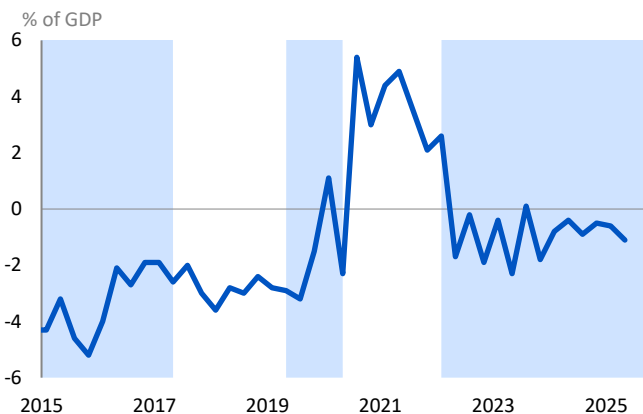
International trade

Imports and exports



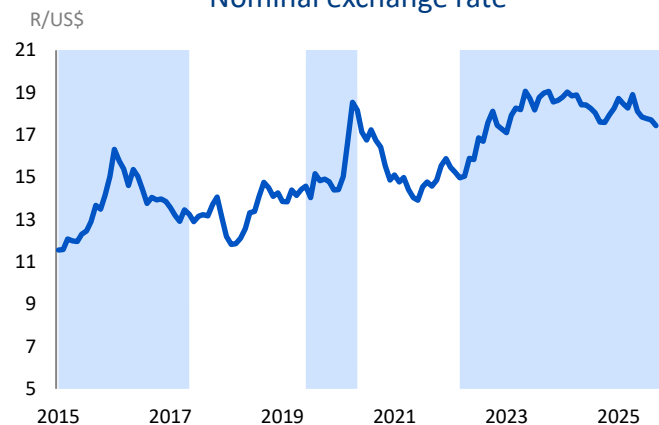
Source: SARB

Current account balance



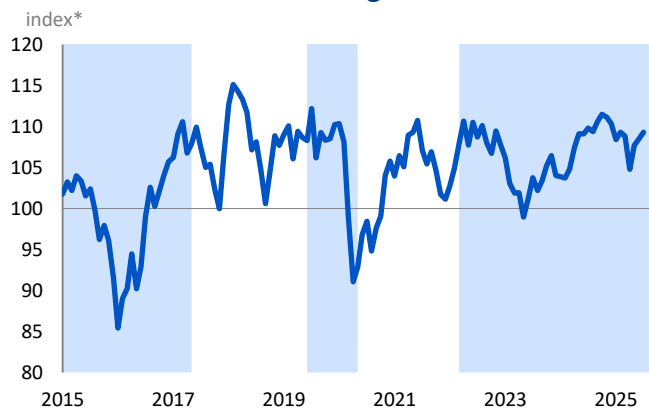
Source: SARB

Nominal exchange rate



Source: DataStream

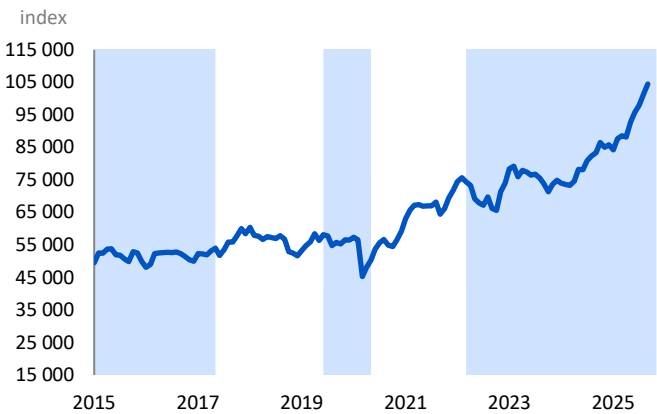
Real effective exchange rate of the Rand



Source: SARB *higher values denote a stronger rand

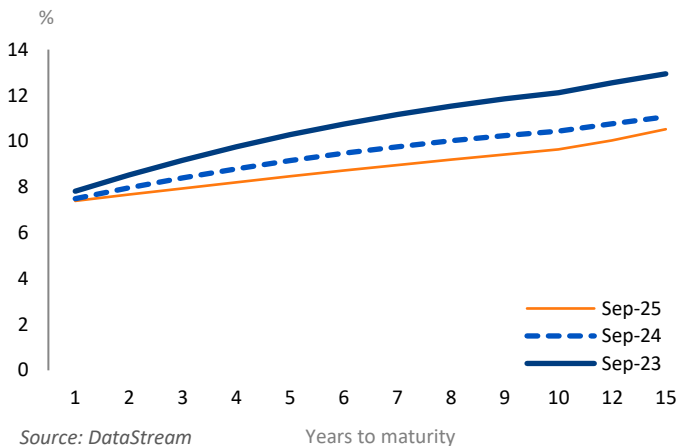
Financial markets

JSE all share index



Source: DataStream

Yield curve comparisons



Source: DataStream

Economist all commodities index



Source: Economist

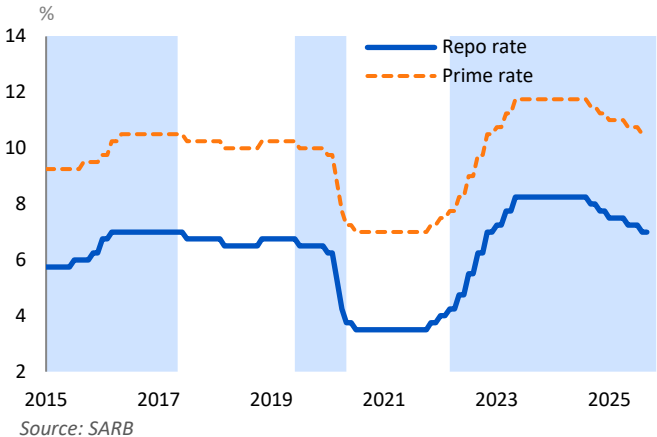
International equity prices - S&P 500



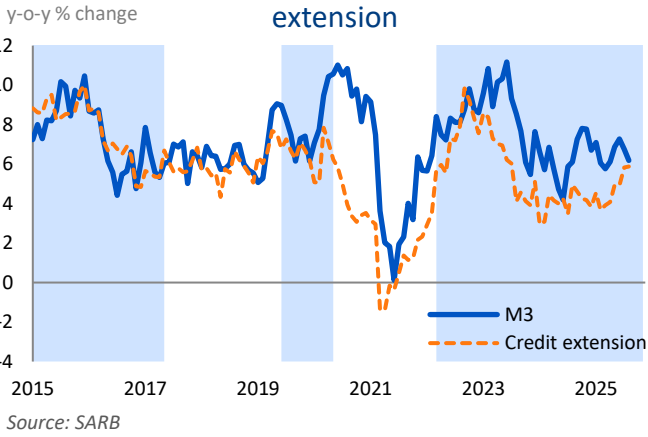
Source: DataStream

Money and prices

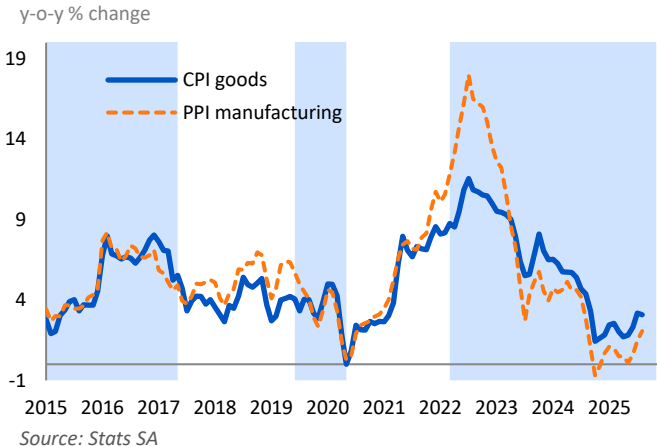
Repo and prime interest rate



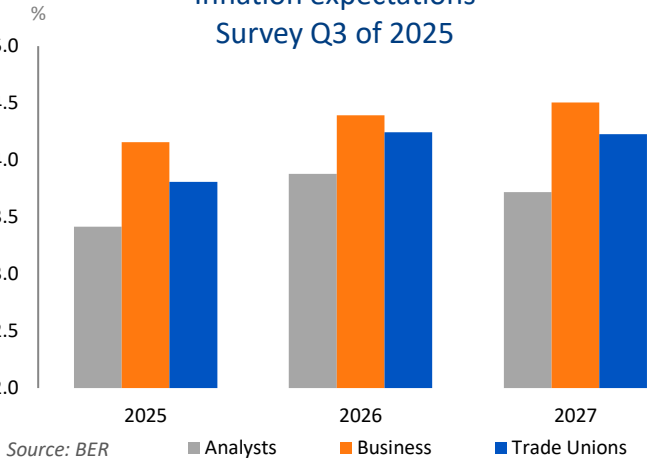
M3 monetary aggregates and credit extension



Consumer and producer prices

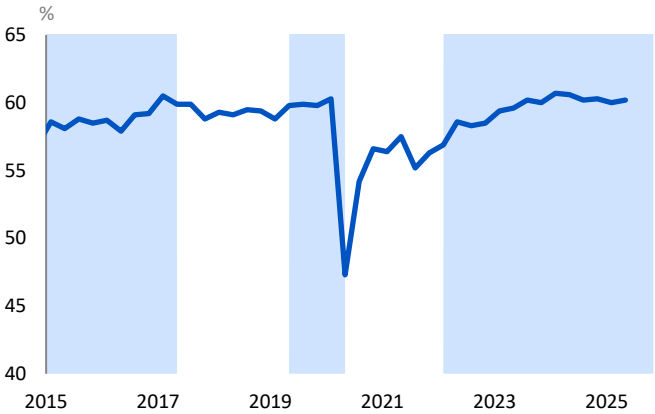


Inflation expectations
Survey Q3 of 2025



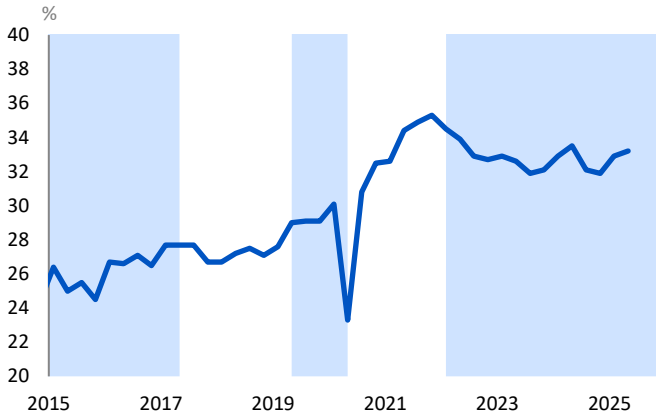
Labour

Labour force participation



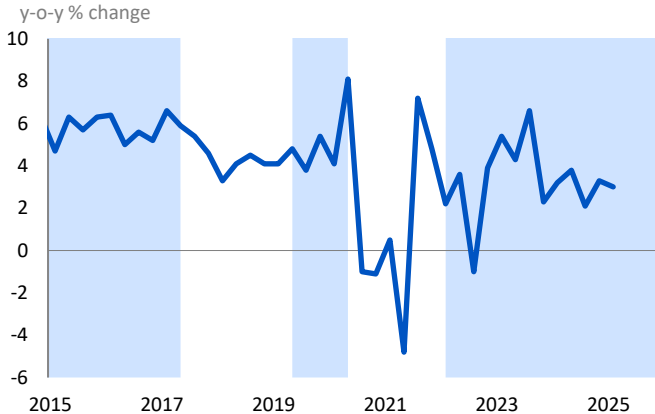
Source: Stats SA

Unemployment rate



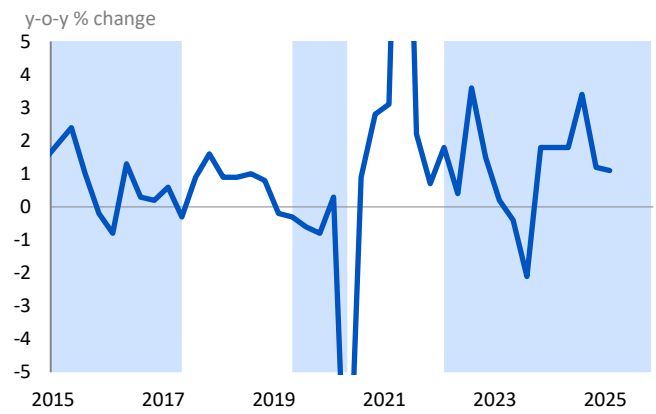
Source: Stats SA

Unit labour cost



Source: SARB

Labour productivity



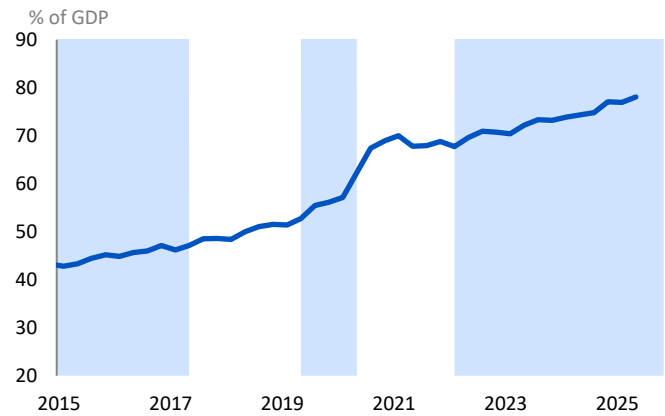
Source: SARB

Government

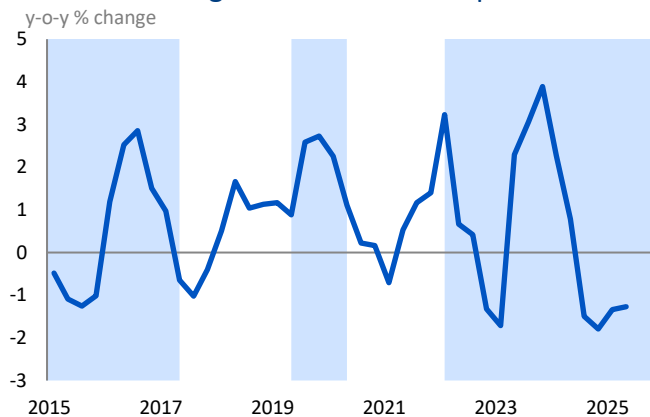
Public sector borrowing requirement



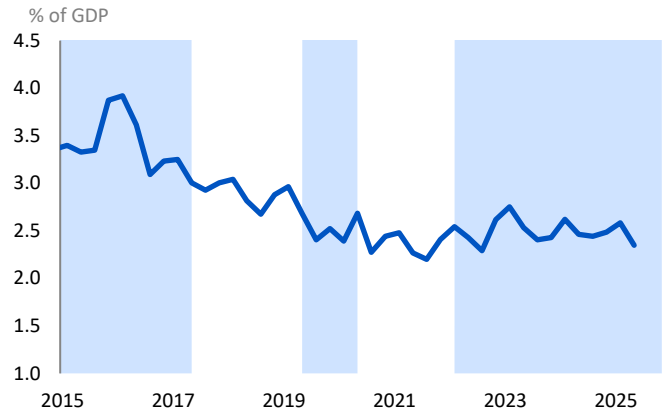
Gross government debt



Real government consumption



Government fixed investment



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