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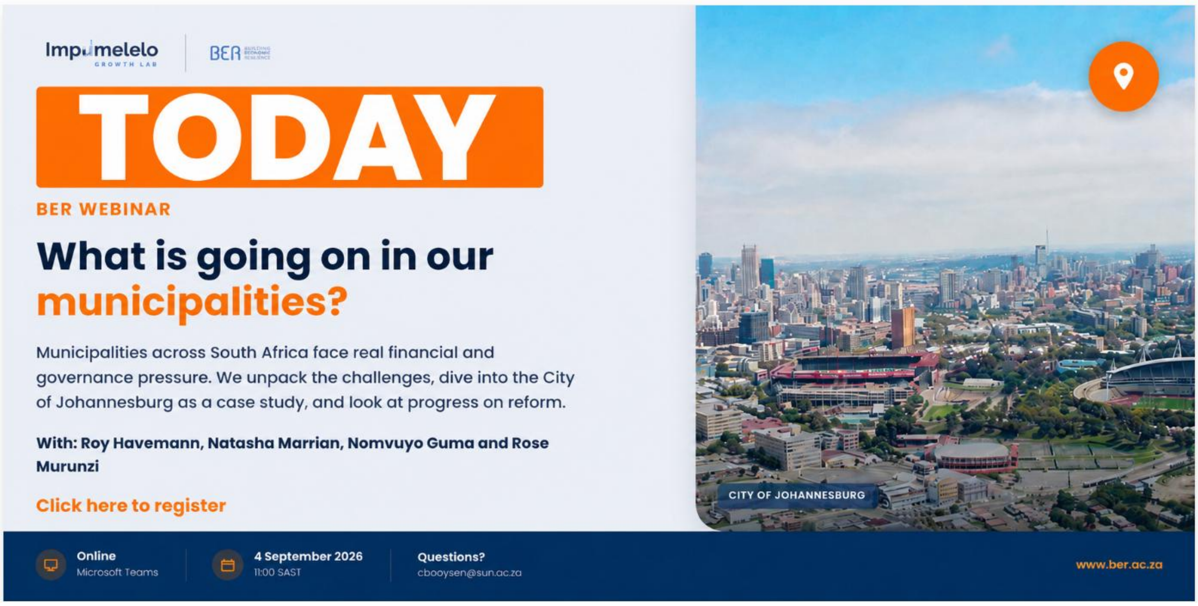
This week's data pointed to a mixed but generally subdued domestic picture. The RMB/BER Business Confidence Index (BCI) was little changed in Q3, while the Absa Manufacturing Purchasing Managers' Index (PMI) fell further in August, pointing to weak current conditions. Vehicle sales remained resilient, however, and the S&P Global PMI stayed in expansionary territory. Internationally, Eurozone headline inflation rose on renewed energy pressures, while core inflation eased, and the latest PMI readings showed resilience in the US and eurozone but a more uneven picture in China.

In the full **BER Weekly Review,** we unpack the renewed Middle East escalation and oil-price rise, why global bond yields remain under pressure, what this means for SA borrowing costs and inflation, and why the rand has remained surprisingly resilient.



DOMESTIC DATA

Kelebogile Mabitsi

BUSINESS CONFIDENCE STABILISES FOLLOWING GLOBAL ENERGY SHOCK

The **RMB/BER BCI** moved sideways from 39 in Q2 to 38 in Q3, which is two index points below its long-term average. The more important message is that the sharp Q2 deterioration did not deepen, but there was no meaningful rebound either. Sentiment declined amongst four of the five sectors, led by new vehicle dealers. Manufacturers were the most pessimistic. On the positive side, retailers' sentiment increased by 9 index points, aligning with its long-term average of 40. The composite purchasing-price indicator also fell noticeably, suggesting that the Q2 energy-cost shock is starting to unwind in firms' cost structures, although manufacturing remains an exception.

WEAKER BUSINESS ACTIVITY BRINGS ABSA MANUFACTURING PMI TO 8-MONTH LOW

The **Absa Manufacturing PMI** contracted further, from 46.8 in July to 45.8 in August, marking its fourth consecutive decline. Business activity plummeted to its lowest level this year, at 40.2, while new sales orders softened from July's rebound. Respondents pointed to subdued demand, weak consumer confidence and softer discretionary spending. Although the purchasing price index was unchanged at 67.2, rising energy and transport costs continued to squeeze margins, while the stronger rand alleviated import expenses. Positively, the expected business conditions index rose sharply back above 50, suggesting that manufacturers view at least some of the current weakness as temporary despite subdued orders and production.

In turn, the S&P Global PMI recorded another expansion, ticking up from 50.3 in July to 50.5 in August. This was driven by renewed demand as reflected by the rise in output and new orders. On the downside, cost pressures intensified, resulting in a headcount reduction as well as higher selling prices. Businesses are optimistic about future activity due to stronger demand, more tendering opportunities and new product development.

VEHICLE SALES REMAIN ROBUST, WHILE CREDIT GROWTH SLOWS SLIGHTLY

Private-sector credit growth eased for a second consecutive month, from 7.8% y-o-y in June to 7.4% in July. Meanwhile, new vehicle sales maintained their momentum, rising to 57.9K units in August, up from 57.7K units in July. Annual sales rose by 11.4%, down from 11.9% in July. Passenger and light commercial vehicle sales both remained strong, suggesting that vehicle demand continues to hold up despite broader weakness in household sentiment and business confidence. Quarterly, local vehicle sales growth is likely to soften from Q2 based on the seasonally adjusted figures for the first two months of Q3. Conversely, export sales declined further by 11.9% y-o-y, led by lower sales for light commercial vehicles.

INTERNATIONAL DATA

Nadia Matulich

EUROZONE INFLATION RISES AS ENERGY SHOCK RE-EMERGES

Starting with inflation, euro area headline inflation rose to 3.3% y-o-y in August, from 2.9% in July. Energy was the main driver, with energy prices rising by 14.3% y-o-y compared to 10.3% in July. Services inflation eased to 3.0% from 3.3%, while non-energy industrial goods inflation edged up to 1.2% from 0.9% and food, alcohol and tobacco inflation was unchanged at 1.2%. In m-o-m terms, prices rose by 0.4%, largely reflecting a 2.9% increase in energy prices. Encouragingly, core inflation eased from 2.5% to 2.4%. With food inflation unchanged, this suggests that underlying inflationary pressures remain relatively subdued despite the recent energy price shock.

That distinction matters for the ECB. The case for another hike has strengthened, but the easing in core and services inflation suggests policymakers are still dealing primarily with an external energy shock rather than a broad-based resurgence in domestic inflation.

PMIs POINT TO RESILIENCE IN US AND EUROZONE, WHILE CHINA REMAINS MIXED

Turning to the PMIs (the headline data is in the table below) and starting with the US, the ISM Manufacturing PMI showed that production, new orders and employment all remained in expansionary territory, while price pressures remained elevated. Comments focused on business conditions remaining positive, although firms continued to highlight challenges stemming from the "dynamic nature of the administration's policies", as well as chip shortages and rising costs. The ISM

Services PMI registered another strong increase. Business activity and new orders remained firmly in expansionary territory, although the employment index came in below the neutral 50-point mark.

The S&P Global US Manufacturing PMI was unchanged, supported by strong output volumes and new orders. Employment also increased. Input cost inflation eased further but remained elevated, with manufacturers continuing to pass higher costs through to consumers. The Services PMI strengthened to 56.5, reflecting stronger new business, easing inflationary pressures and stronger employment, while expectations for the year ahead remained optimistic. In line with these improvements, the Composite PMI rose to 56.0, with comments referring to easing pressures from the crisis in the Middle East (at the time of the survey).

In the Eurozone, the Manufacturing PMI rose to 52.7, with factory output and new orders picking up at their fastest rates since 2022. Inflationary pressures eased, although they remain elevated relative to pre-war levels. Confidence also improved, with 12-month-ahead expectations above their long-run average. The Services PMI edged down, but new business and employment increased. Price pressures remained elevated for both input and output prices. The Composite PMI was unchanged at 52, with activity and employment continuing to expand. Input price pressures declined slightly, while output prices continued to increase at roughly the same rate as in July. Confidence was similarly stable, remaining above Q2 levels, although growth expectations remained relatively weak.

China's official manufacturing PMI improved to 49.8 from 49.2, remaining just below the expansion threshold. Encouragingly, both production and new orders moved above 50, suggesting some improvement in factory activity and demand. Input prices were also elevated, feeding through into higher output prices. The non-manufacturing PMI was unchanged at 49.0, with a more pronounced contraction in construction than in services. Similar to manufacturing, input prices were elevated, although selling prices remained in contractionary territory. In both surveys, the outlook remained expansionary, although firms were slightly more downbeat than in July. As such, the Composite NBS PMI edged up by 0.2 points to 49.5, remaining in contractionary territory.

Country		Index	Level	Change
US	S&P	US Manufacturing	53.9	0.0
		US Services	56.5	+1.9
		US Composite	56.0	+1.5
	ISM	Services	55.4	+1.3
		Manufacturing	54.6	-1.0
China	RatingDog	General Manufacturing	51.5	+0.6
		General Services	51.4	+1.0
		Composite Output Index	52.1	+1.3
	NBS	Manufacturing	49.8	+0.6
		Non-Manufacturing	49.0	0.0
		Composite PMI Output Index	49.5	+0.2
EZ	S&P	Manufacturing	52.7	+0.8
		Services	51.6	-0.1
		Composite	52	0.0

The RatingDog China General Manufacturing PMI rose to 51.5 in August from 50.9 in July, driven by faster expansions in output, new orders and exports. Input price inflation accelerated for the first time since April, while output prices were marginally reduced. Employment was relatively unchanged. The 12-month outlook remained positive, reflecting expectations of stronger demand, although optimism fell to its lowest level since January. The Services PMI also strengthened, driven by stronger business activity and improved domestic demand. Similar to manufacturing, input prices increased, although service providers were able to pass some of these higher costs through to output prices. Forward-looking sentiment also improved from the July low, supported by business expansion plans, new projects and strategic changes.

The divergence between the official and RatingDog surveys remains notable: the official composite still points to a mild contraction, while the private-sector survey suggests a firmer expansion. This may reflect differences in firm composition, but it also reinforces the unusually uneven nature of China's current recovery.

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