

DATA REVIEW | NUMBER 20

5 June 2026

This report summarises the key domestic and international data releases over the past week, including the sharp decline in South African business confidence and signs that higher fuel costs and geopolitical uncertainty are beginning to weigh on economic activity. Internationally, we cover the latest inflation developments in the Eurozone, mixed signals from China's economy and diverging trends in US business activity.

The full **BER Weekly Review** also examines the latest developments in the Middle East, growing hopes of a US-Iran deal, the implications of potential new US tariffs and Natasha Marrian's analysis of the political pressures facing President Cyril Ramaphosa. The full Weekly is available to BER Essential Insights subscribers (**sign up here for only R210/month**) and Premium Insights clients.

DOMESTIC DATA

Kelebogile Mabitsi

SECOND QUARTER BUSINESS SENTIMENT REVERSES EARLIER GAINS

The **RMB/BER Business Confidence Index (BCI)** fell to 39 in 26Q2, one point below its long-term average. The sharp decline erased much of the improvement seen at the start of the year as geopolitical tensions weighed on sentiment. Confidence fell across four of the five sub-sectors, led by new vehicle dealers. Despite their sharp pullback, this group remained the most optimistic among respondents. Meanwhile, sentiment edged up by a single point among manufacturers, as customers front-loaded to curb rising costs amid the escalating US-Iran conflict. This war has dampened current and expected conditions as companies battle with elevated input costs. Beyond global spillovers, local consumer demand is likely to contract, given a more restrictive monetary policy environment following the recent 25-basis-point hike. In the near term, business confidence may remain under pressure from rising input costs, weaker consumer demand and squeezed profit margins.

GEOPOLITICAL SHOCK BEGINS TO FILTER THROUGH TO BUSINESS ACTIVITY

The **Absa PMI** eased from 52.6 in April to 50.8 in May, driven by a slowdown in manufacturing business activity as customers reversed April's front-loaded purchases, leading to a decline in new orders. Beyond weaker demand, business conditions were constrained by supply-chain delays and higher transport costs and other surcharges. The inventories index rose further as manufacturers themselves frontloaded stock purchases to

buffer against further price hikes. The six-month outlook offered a silver lining, with the expected business conditions index rising from 47.4 to 52.9, suggesting that manufacturers expect conditions to look better by year's end.

Similarly, the S&P Global PMI fell from 51.6 in April to 49.6 in May, marking its first contraction in five months. This turnaround was due to declines in output and new orders, underpinned by weaker demand and rising input costs that were passed through to customers. On the upside, firms increased employment at the fastest pace since 2022. Furthermore, respondents expect a rebound in business activity in the next 12 months.

STRONG DOMESTIC DEMAND LIFTS NEW VEHICLE SALES DURING FUEL PRICE HIKES

New vehicle sales maintained their momentum, rising from 47.9K units in April to 51.1K in May. Annually, sales rose by 12.8% in May, only marginally down than April's 13% increase. Importantly, sales are up in the first two months of Q2 compared with Q1, suggesting the sector is on track to record its eighth consecutive quarter of growth. In contrast, export sales – while volatile in recent months - continued to decline, falling by 4.8% y-o-y in May. Export volumes fell sharply for buses and light commercial vehicles; naamsa attributed the latter's reduced volumes to the phased rollout of new-model production by a key exporter. The weaker vehicle sales confidence print suggests that sales may come under pressure as consumers face tighter financial conditions.

INTERNATIONAL DATA

Katrien Smuts

EUROZONE CPI INFLATION TICKS UP AS EXPECTED

In line with expectations, the flash CPI inflation print for the Eurozone ticked up to 3.2% in May, from 3% the previous month. This is the highest inflation print in almost three years and well above the ECB's 2% target. It is no surprise that the elevated energy inflation continued in May, reaching 10.9% y-o-y, up slightly from 10.8% in April. More worryingly, core and service inflation also ticked up from April. Core inflation reached 2.5% (2.2% in April) and services inflation 3.5% (3% in April), suggesting broadening price pressures beyond energy. Consumer and business inflation expectations, meanwhile, also increased. All these factors will likely increase the probability of a rate hike at the ECB's next meeting, scheduled for 10-11 June.

Eurozone's retail sales fell by 0.4% m-o-m in April, more than expected, and after an upwardly revised 0.8% m-o-m increase in March. Increases in food sales (0.9% m-o-m) were more than offset by a decline of 0.9% m-o-m in non-food product sales (excluding automotive fuel). In addition, automotive fuel sales also declined by 2.7% m-o-m. The overall weakness in non-food sales may reflect broader demand softness at the start of the second quarter. In annual terms, retail sales recorded a 1% y-o-y increase.

CHINA'S SERVICES PMI ACCELERATES, WHEREAS MANUFACTURING PMI DECLINES

In China, the RatingDog Services PMI ticked up to 54.4 in May from 53.8 in April. This indicates an acceleration in the expansion of the services sector, a positive sign for a robust domestic economy. The acceleration was broad-based: total activity and new business

expanded at the fastest pace in three months. Meanwhile, employment rose for the first time since January, reflecting improving expectations for business activity over the next year.

On the manufacturing side, both the RatingDog and the NBS's Manufacturing PMI declined in May. RatingDog China Manufacturing PMI eased to 51.8 from 52.2 in April, while NBS's (larger firms) dipped to 50 from 50.3 in April. This reflects ongoing headwinds in manufacturing due to rising input costs. In both surveys, input costs are still elevated, at least they moderated slightly relative to the previous month (60.5 vs 63.7).

The results from the PMIs paint a mixed picture of Chinese growth in the second quarter of 2026, following a very robust 5% growth rate in Q1.

US SERVICES PMIS DIVERGE A BIT

The ISM and S&P Global PMIs for the US tell a slightly different story in the latest May data. In both surveys, manufacturing PMIs increased further into expansionary territory, to 54 and 55.1, respectively. This indicates ongoing strength in the US manufacturing sector, buoyed by stockpiling to mitigate against price rises and supply delays.

On the services side, however, the results between the two surveys diverged. The ISM Services PMI increased to 54.5 (from 52.7 in April), its 23rd consecutive month in expansionary territory, supported by a surge in new orders. In contrast, the S&P Global's Services PMI declined to 50.5 (from 51 in April), and though it is still above the neutral 50, respondents list rising prices and weak demand as limiting growth. In both manufacturing and services, cost pressures are mounting due to rising fuel, energy and supplier prices.

CONTACT US

Editor: Lisette IJssel de Schepper

Tel: +27 (0)21 808 9777

Email: lissette@sun.ac.za

Click [here](#) for previous editions of this publication.

Please refer to the glossary on the [BER website](#) for explanations of technical terms.

Copyright & Disclaimer

This publication is confidential and only for the use of the intended recipient. Copyright for this publication is held by Stellenbosch University.



Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.