

DATA REVIEW | NUMBER 22

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This report summarises the key domestic and international data releases over the past week, including a lower-than-expected increase in SA consumer inflation, softer retail and wholesale trade activity, and the implications for the SARB's policy outlook. Internationally, we cover stronger industrial production but weaker retail sales in China, lower-than-expected inflation in the UK, and a notably more hawkish Federal Reserve under new Chair Kevin Warsh, despite keeping interest rates unchanged.

The full BER Weekly Review also examines the latest US-Iran memorandum of agreement, the outlook for oil prices and inflation, the implications of Kevin Warsh's first Fed meeting, continued investor enthusiasm for AI-related assets such as SpaceX, and Natasha Marrian's analysis of growing tensions within the Government of National Unity and the political risks surrounding the 30 June anti-immigration deadline.

The full Weekly is available to BER Essential Insights subscribers (sign up [here](#) for only R210/month) and Premium Insights clients.

DOMESTIC DATA

Paul Gluckman

CONSUMER INFLATION ACCELERATES TO A TWO-YEAR HIGH, BUT FELL SHORT OF EXPECTATIONS

Annual consumer inflation rose to 4.5% in May from 4% in April. While this is the largest increase recorded since July 2024, the reading came below expectations. The main inflationary drivers were housing and utilities (5.3% y-o-y) and transport (9.4% y-o-y), with both categories contributing 1.3% pts each. Insurance and financial services prices increased by 5.7% y-o-y, which elevated the index by a further 0.6% pts. Core inflation, which excludes energy and food costs, reached 3.8% y-o-y, up from 3.6% y-o-y in April.

Monthly, inflation eased from 1.1% in April to 0.7% in May, of which 0.6% pts are due to the higher cost of transport (4.1% m-o-m). Meanwhile, goods prices continued to accelerate, rising by 1.4% m-o-m (4.4% y-o-y in May, up from 3.4% in April). More worrying for the

SARB, services inflation remained elevated at 4.7% y-o-y, although monthly price growth was relatively modest at 0.1%.

ANNUAL RETAIL AND WHOLE TRADE SALES GROWTH SLOWS IN APRIL

Annual retail sales slowed from 2.5% in March to 1.3% in April. The largest contributors to yearly sales growth were all other retailers (5% y-o-y, adding 0.6% pts), household furniture, appliances and equipment (8.8% y-o-y, adding 0.4% pts) and general dealers (0.9% y-o-y, adding 0.4% pts). The only sub-category that contracted over the year was textiles, clothing, footwear and leather goods (-0.7% y-o-y; -0.1% pts). Meanwhile, monthly retail sales (sa) rose by 0.9%, up from 0.1% in March.

Similarly, wholesale trade sales increased by 3.3% y-o-y in April, down from a near 5-year high of 8.9% y-o-y in March. On a monthly basis, wholesale trade (sa) declined by 2.4% after rising sharply by 6.2% in March. Strong sales in the prior month likely reflected a short surge in demand as businesses front-loaded purchases ahead of anticipated price increases.

INTERNATIONAL DATA

Nkosinathi Nonkonyana

FED TURNS MORE HAWKISH AS WARSH TAKES THE HELM

With the new Fed chair in place, the Fed kept the federal funds rate unchanged at 3.50%-3.75% for the fourth consecutive meeting. In line with expectations, the FOMC voted 12-0 in favour of an unchanged rate. The updated policy projections were notably more hawkish. Three officials now anticipate at least one further rate hike this year, while six foresee two hikes. Only one policymaker expects a rate cut. New Chair Warsh did not submit a 'dot forecast'. Despite increased global uncertainty, the policymakers were encouraged by resilient economic growth, supported by productivity growth and capital investment, while labour market trends remained broadly unchanged.

Meanwhile, retail sales surged from 4.8% y-o-y in April to 6.9% y-o-y in May, marking the third month of expansion. Monthly sales increased by 0.9%, following a 0.4% rise in April. The series is reported in nominal terms, and part of the increase likely reflects higher fuel prices rather than stronger underlying consumption. Elevated fuel prices amid the US-Iran war boosted turnover at fuel stations and shifted overall retail sales volumes. In addition, tax refunds paid during April and May may have provided temporary support to household spending. Nevertheless, the data suggest that household consumption remained resilient despite the recent fuel-price shock.

CHINA'S INDUSTRIAL PRODUCTION ACCELERATES WHILE RETAIL SALES CONTRACT

Annual industrial production expanded by 4.5% in May, following a 4.1% rise in April. In terms of sectoral performance, manufacturing grew by 4.4% amid a surge in high-tech manufacturing (+15.1%), utilities rose by 7.6%, and mining production growth slowed to 2.3%.

Meanwhile, retail sales in May contracted for the first time since December 2022, falling by 0.6% y-o-y, following a 0.2% rise in April. The decline reflected both a high base effect and continued weakness in underlying consumer demand once the temporary boost from the

Labour Day holiday faded. Monthly sales fell by 0.4%, following a 0.6% drop in April. The print highlights the persistent weakness in domestic demand, prompting talks of additional stimulus.

UK INFLATION UNDERSHOOTS EXPECTATIONS, SUPPORTING THE BoE'S CAUTIOUS STAND

Consumer inflation for May remained unchanged at 2.8% y-o-y, below market expectations of 3%. Monthly, it rose by 0.2%, following a 0.7% rise in April. Higher energy prices linked to the conflict in the Middle East continued to place pressure on transportation costs (6.8% y-o-y, contributing 0.3 percentage points), led by motor fuels, air and sea fares. In addition, seven of the twelve CPI categories showed a decrease.

The Bank of England (BoE) kept its rate unchanged at 3.75% in June, as expected. Policymakers considered the disruptions caused by the war in the Middle East that spiked motor fuel costs and utility bills, but noted that crude oil prices have fallen since the initial surge. Despite continued global uncertainty, lower-than-expected inflation supported a cautious hold on rates rather than a rate hike. Indeed, moderate labour demand should limit wage pressures, so the risk of a wage-price spiral remains contained, helping to reduce inflation over time.

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