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The domestic data was mixed this week. Inflation expectations eased, consumer confidence recovered somewhat and July retail sales surprised on the upside, although the latter coincided with lower fuel prices. Globally, the Fed and BoJ both hiked, the BoE held, and US bond yields briefly moved above 5%.

The **full Weekly** asks whether the SARB can afford to wait, why SA's policy trade-off looks more like the UK's than the US or Japan's, and whether another temporary fuel-levy intervention could help cushion the next leg of the oil shock.

DOMESTIC DATA

Vincent van der Westhuizen

INFLATION EXPECTATIONS EASE AHEAD OF SARB MPC MEETING

The third-quarter inflation expectations survey was conducted against a backdrop of continued geopolitical tensions in the Middle East. The energy-price shock associated with the US-Iran conflict pushed inflation expectations sharply higher in the previous quarter. In the third quarter, however, professional inflation expectations were broadly stable to lower across the forecast horizon, while household expectations eased markedly, reversing much of the second-quarter increase.

Average current-year headline inflation expectations across analysts, businesspeople and trade union officials remained at 4.4% in 2026, unchanged from the previous survey, while household one-year inflation expectations fell sharply to 4.9% from 6.0%, the lowest level in nearly five years. Over five years, professional expectations eased to 4.0% from 4.1%, while household expectations declined to 8.3% from 9.1%.

CONSUMER CONFIDENCE RECOVERS SOME LOST GROUND, BUT OUTLOOK REMAINS CLOUDY

The FNB/BER Consumer Confidence Index (CCI) rebounded to -13 in the third quarter, after crashing from -7 to -19 in the second quarter. The improvement was driven by rebounds in the CCI's economic outlook and household finances sub-indices, with low-income household confidence recovering to its highest level since 2024Q3, most likely benefiting from low food inflation. While the partial recovery in the CCI is welcome news, it was driven by two forward-looking indicators, and there are several reasons to expect consumer spending growth to remain subdued in the coming months.

The only present-time indicator - consumers' rating of the appropriateness of the present time to buy durable goods - deteriorated further to its lowest level since 2025Q1. The Brent crude oil price has soared since fieldwork for the survey was conducted, putting further upward pressure on domestic fuel prices and constraining consumers' real disposable income. Confidence among high-income households – the group with the greatest spending power in the economy – remains very low, while both middle- and high-income consumers are disproportionately affected by hikes in the prime interest rate.

RETAIL SALES EXCEED FORECASTS, AND WHOLESALE TRADE IMPROVES

Retail trade sales grew by 3.4% y-o-y in July, up from a downwardly revised 1.1% in June, far exceeding forecasts of 0.9%. The largest drivers of this growth were general dealers (up 3.2% y-o-y), all 'other' retailers (up 6.8% y-o-y), retailers in textiles, clothing, footwear and leather goods (up 2.9% y-o-y), and retailers in food, beverages and tobacco in specialised stores (up 4.8% y-o-y). Hardware, paint and glass was the only sector to record a contraction (down 0.3% y-o-y). On a monthly basis, seasonally adjusted retail trade sales grew by 2.5% in July, up from -0.8% in June.

For the third consecutive month, in contrast with retail sales growth, wholesale trade sales contracted by 1.1% y-o-y in July. However, this is an improvement from its 6.0% contraction in June and 7.1% contraction in May. On a monthly basis, seasonally adjusted wholesale trade sales grew by 6.2% in July, up from -2.5% in June. Dealers of solid, liquid and gaseous fuels and related products were the largest drivers of the monthly growth, growing at 16.7% m-o-m, while only dealers of agricultural raw materials and livestock and of other goods reported monthly contractions of 15.3% and 3.9%, respectively.

The timing of the improvement is notable. July coincided with lower domestic fuel prices after crude oil prices eased in the second half of June, which would have provided some temporary relief to household budgets and business costs. With oil and fuel prices having since moved sharply higher again, it remains to be seen whether the July momentum can be sustained.

INTERNATIONAL DATA

Nadia Matulich

A FED FULL OF HAWKS RAISES RATES AS INFLATION CONCERNS PERSIST

The very brief FOMC statement noted that the Fed unanimously decided to raise the federal funds rate by 25 basis points to 3.75%-4%. The Committee stated that economic activity has continued to expand at a solid pace despite elevated geopolitical uncertainty, with domestic spending, productivity and job gains remaining robust. However, inflation remains elevated, which appears to have been the key factor behind the decision to hike.

Determining what comes next is more difficult. New Fed Chair Warsh is not a strong proponent of explicit forward guidance, although his speech at Jackson Hole last month suggested that this hike forms part of a broader move towards greater policy "discipline" and the "removal of a dose of accommodation". This points to a further removal of accommodation, with additional tightening potentially still to come. Further hikes are therefore plausible, particularly while economic activity remains resilient and inflation elevated, conditions that generally give the Fed greater room to tighten. By contrast, the decision would be less straightforward if economic activity were weakening and unemployment rising while inflation remained high. The latest dot plot also leaned hawkish, with most Fed officials pencilling in another rate increase this year.

The flash estimate from the University of Michigan Survey of Consumers also indicated that consumers remain concerned about inflation, with year-ahead inflation expectations rising from 4.0%

in August to 4.6% in September. Overall consumer sentiment declined by 4 points to 47.8, leaving the index 13.2% lower than a year ago.

BANK OF ENGLAND KEEPS RATES UNCHANGED, BUT MONITORS SECOND ROUND EFFECTS

Conversely, the Bank of England (BoE) voted to keep rates unchanged at 3.75% at its September meeting. August inflation came in at 3.1%, driven largely by higher transport costs following a rapid increase in motor fuel prices. Core inflation remained somewhat more subdued at 2.6%, although still above the 2% target. The Monetary Policy Committee voted six to three in favour of holding rates, with three members preferring a 25bps hike. The Committee noted that the conflict in the Middle East continues to place upward pressure on crude and refined energy prices. At the same time, the domestic economy remains relatively resilient, but is hardly growing with vigour, expanding by 0.4% q-o-q in Q2. Labour demand has also remained notably weak, with unemployment at around 4.9%.

From the minutes, the Committee appears to have had a robust debate about whether the energy shock was beginning to generate broader inflationary pressures. This contrasts with the US, where stronger domestic conditions provide greater scope to tighten. In the UK, weaker activity makes it less straightforward to hike into a supply shock. The Committee remains data-dependent, but several members indicated that tightening could be warranted if broader inflationary pressures intensify.

GERMAN ECONOMIC EXPECTATIONS IMPROVE MARGINALLY

Finally, in the EU, the latest ZEW Indicator of Economic Sentiment for Germany pointed to cautious optimism about the economic recovery. The indicator of economic expectations rose marginally to 34.7 points, 0.5 points above its August level, while the current situation indicator improved by 14 points to -47.1. Respondents nevertheless noted that risks remain considerable, with elevated energy prices and uncertainty around a potential escalation in geopolitical tensions continuing to weigh on the outlook. Expectations for the broader Eurozone, however, declined by 5.6 points to 25.8. More reassuringly, respondents' assessment of the current economic situation improved by 7.6 to -13.9.

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