

This report covers the key domestic and international data releases over the past week. The more comprehensive BER Weekly Review includes a detailed discussion of the main economic events and developments over the past week, as well as a summary of upcoming data (the week ahead). This week, we unpack the latest developments around US trade threats, global bond market moves, and why the rand continued to outperform. We also examine key domestic political developments, including the resumption of the Madlanga Commission, and preview the week ahead with SARB and Fed policy decisions in focus.

The Weekly is available to BER Essential Insights subscribers (**sign up here** – it's only R210/month and you get more benefits) and BER Premium Insights clients.

## DOMESTIC DATA

Katrien Smuts

### **PRODUCER PRICES ROSE BY 2.9% Y-O-Y FOR A THIRD MONTH**

Producer price inflation (PPI) increased by 0.2% m-o-m and 2.9% y-o-y in December. The main positive contributors were the food products, beverages and tobacco category (2.9% y-o-y, contributing 0.9 %pts) and the furniture and other manufacturing category (11.9% y-o-y, contributing 0.5 %pts). No category detracted from the annual inflation outcome. Although the year-on-year PPI inflation rate remained unchanged from November, price pressures broadened in the second half of 2025 compared with earlier in the year. On average, PPI inflation was 1.5% in 2025, slowing from 3.1% in 2024 and 6.7% in 2023.

### **LEADING BUSINESS CYCLE INDICATOR CONTINUES UPWARD TRAJECTORY**

The SARB's composite business leading indicator increased by 1.4% m-o-m and 3.3% y-o-y in November 2025, continuing on an upward trajectory. Of the ten metrics that make up the leading business cycle indicator, eight recorded increases, offsetting declines in the other two components. The largest positive contributions came from a growth in money supply (M1), and job advertisement space. The negative contributors were a rise in interest rate spread, signalling slightly higher risk, and a slowdown in the number of

new passenger vehicles sold. The latter declined relative to October but remains high compared to the same period in the prior year.

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## **INTERNATIONAL DATA**

Nadia Matulich

### **A WIDELY EXPECTED FED PAUSE AMID MIXED LABOUR MARKET AND INFLATION SIGNALS**

The Fed's policy meeting resulted in a widely anticipated decision to keep rates unchanged at 3.5%–3.75%. Policymakers noted that economic activity continues to expand and unemployment appears to be stabilising, although job gains remain subdued and inflation is elevated. Powell acknowledged that uncertainty remains high, but suggested that risks to both mandates have diminished somewhat. The decision was not unanimous, with the vote splitting 10–2 as Christopher Waller and Stephen Miran dissented in favour of a 25bps cut.

Other US data pointed to continued economic resilience. Flash PMI results signalled ongoing expansion, with the S&P Global Flash Composite PMI at 52.8 in January, broadly unchanged from December and below levels seen in the second half of 2025. The services PMI was unchanged at 52.5, while the manufacturing PMI edged up slightly to 51.9. Employment growth remained weak, with firms reporting ongoing difficulties filling vacancies, contributing to rising backlogs. Price pressures also remain elevated, particularly in manufacturing, where input prices rose at the fastest pace since September. Forward-looking sentiment weakened modestly in January and now sits below its 2025 average, although manufacturers remain more optimistic than service providers.

Last week also saw divergent signals from consumer confidence surveys. The Michigan Survey of Consumers was confirmed at 56.4 in January, up from 52.9 in December. The increase was broad-based, although sentiment remains well below December 2024. High prices remained a key concern for consumers.

In contrast, the Conference Board's consumer confidence measure fell sharply, dropping from 94.2 to 84.5, its lowest level in 12 years. Respondents cited prices, particularly oil, gas and groceries, alongside politics, labour market conditions and health insurance. Concerns around job availability were especially prominent.

The divergence between the two surveys largely reflects their different emphases. The Michigan survey focuses more on personal finances and cost of living, while the Conference Board places greater weight on labour market conditions. Regardless of

month-on-month movements, sentiment, measured by either metric, remains weak in relative terms.

#### **IMPROVED PMIS IN THE UK BUT SENTIMENT REMAINS WEAK IN EUROPE**

Turning to Europe, the key releases were the flash PMIs and sentiment indicators. In the UK, the S&P Global Flash PMI recorded its strongest upturn since April 2024. The composite output index rose to 53.9 from 51.4 in December. Both services and manufacturing contributed, with services activity increasing to 54.3 and manufacturing to 51.6. Several service providers cited post-Budget clarity as a catalyst for new projects and investment spending. Goods producers reported improving export sales, particularly to Europe, the US, China and emerging markets.

Despite these gains, employment conditions remained constrained. Firms reported accelerating job losses, rising payroll costs and subdued underlying economic conditions. Price pressures were also cited as a constraint, particularly in the services sector. Expectations, however, improved notably, although geopolitical uncertainty remains a key concern. The GfK Consumer Confidence for the UK index edged up slightly from –17 to –16 in January, indicating that consumer sentiment remains weak. The GfK Consumer Insights Director noted a lack of optimism around any imminent economic turnaround.

In the Eurozone, the HCOB Flash Composite PMI was broadly unchanged at 51.5 in January. The services PMI declined modestly from 52.4 to 51.9, while the manufacturing PMI improved from 48.8 to 49.4. Manufacturing output moved into expansionary territory, rising from 48.9 to 50.2.

Germany saw the strongest growth in activity since October, while continued weakness in France weighed on aggregate Eurozone output. Services employment stalled after nearly five years of continuous growth, while manufacturing job losses persisted, particularly in Germany. Input cost inflation edged higher, with pressures more pronounced in manufacturing. The 12-month outlook rose to a 20-month high and now sits above the series average, with improved optimism across both manufacturing and services.

Consumer sentiment also improved. The European Commission's consumer confidence index rose to –11.7 in the EU and –12.4 in the Eurozone. Germany's IFO Business Climate Index was unchanged at 87.6 in January.

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