

WEEKLY REVIEW | NUMBER 3

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This report covers the key domestic and international data releases over the past week. The more comprehensive BER Weekly Review (Enhanced Version) 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.

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DOMESTIC DATA

Nadia Matulich

TICK UP IN DECEMBER INFLATION, BUT FULL-YEAR AT DECADES-LOW LEVEL

Headline consumer inflation edged up to 3.6% y-o-y in December from 3.5% in November, while prices increased by 0.2% m-o-m. Despite the marginal uptick, full-year inflation came in at a 21-year low of 3.2% in 2026.

Housing and utilities were the largest contributor to headline inflation, rising by 4.9% y-o-y and accounting for 1.2%pts of the annual rate. Food and non-alcoholic beverages inflation remained stable at 4.4% y-o-y, contributing 0.8%pts. Food inflation has slowed in recent months, amid lower price pressures in fruit and nuts, vegetables, sugar and confectionery, supported by ample supplies and favourable base effects. Cereal price inflation also remained subdued, reflecting an abundant domestic grain harvest. By contrast, meat price inflation remained elevated, with meat prices rising by 12.6% y-o-y in December

Core inflation, which excludes energy, fuel, food and non-alcoholic beverages, increased slightly to 3.6% y-o-y from 3.5% in November.

DISAPPOINTING NOVEMBER DATA

Mining production declined by 2.7% y-o-y – going against expectations for another improvement. Output fell in six of the twelve categories, with coal, iron ore, PGMs and gold down 7.9% (-2.1%pts), 7.6% (-1.1%pts), 2.8% (-0.8%pts) and 6.0% (-0.5%pts), respectively. Manganese ore output increased by 17.0%, contributing 1.1%pts, and was the largest positive contributor. In m-o-m terms, mining production fell by 5.9%, following an increase of 2.7% in October but is still marginally up in Q4 relative to Q3.

High-frequency domestic trade data was slightly more upbeat. Retail sales rose by 3.5% y-o-y (0.6% m-o-m). The largest contributors were general dealers (up 2.25%, contributing 1.0%pts), other retailers (up 8.0%, contributing 0.8%pts) and pharmaceuticals, medical goods, cosmetics and toiletries (up 10.1%, contributing 0.6%pts).

Wholesale trade sales declined by 0.8% y-o-y in November, although this follows a relatively strong base at the end of 2024. This represented an improvement from October, when sales contracted by 3.0% y-o-y. On a m-o-m basis, wholesale trade sales increased by 2.0% in November, compared with a 0.1% increase in October.

Motor trade sales were marginally lower in November, declining by 0.1% y-o-y. This outcome was largely driven by weaker fuel sales (-4.4%, contributing -1.1%pts) and lower workshop income (-8.2%, contributing -0.3%pts). By contrast, new vehicle sales increased by 6.4%, contributing 1.7%pts. This suggests that consumers may have opted to replace vehicles rather than undertake repairs during the month.

INTERNATIONAL DATA

Katrien Smuts

CHINESE ECONOMY HITS 5% GROWTH TARGET IN 2025

China's Q4 GDP data, released on Monday, show that economic growth remained solid, although momentum eased slightly. GDP expanded by 4.5% y-o-y in Q4, down from 5.3% in Q3, resulting in full-year growth of 5.0% in 2025 - exactly in line with the target set by Beijing at the start of the year. Growth outcomes improved as the year progressed, prompting many analysts, including the BER, to revise forecasts upward. A key upside contribution came from resilient export performance despite ongoing trade tensions with the US. China's trade surplus reached record levels in 2025, supported by stronger exports to Europe and the rest of Asia. Notably, Chinese electric vehicle (EV) exports increased by almost 25% over the year.

PCE INFLATION TICKS UP, BUT IN LINE WITH EXPECTATIONS

The personal consumption expenditures (PCE) price index rose to 2.8% y-o-y on both a headline and core basis in November, up from 2.7% in October (also released yesterday following the earlier government shutdown). While the uptick was widely expected, it underscores that the Fed's preferred inflation measure is drifting further away from its 2% target. The PCE and confirmation of a slightly faster Q4 GDP growth print (4.4% q-o-q, saar) have reinforced market expectations that the Fed will keep interest rates on hold at next week's meeting.

UK INFLATION COMES IN SLIGHTLY HIGHER THAN EXPECTED IN DECEMBER

The UK Office for National Statistics (ONS) released December CPI data on Wednesday. Headline consumer inflation rose by 0.4% m-o-m and 3.4% y-o-y, slightly above both November's 3.2% reading and market expectations. This brought average CPI inflation for 2025 to 3.4%. The December increase was driven mainly by higher prices for alcohol, tobacco, and transport. Core CPI inflation, excluding energy, food, alcohol, and tobacco, was unchanged at 3.2% y-o-y, indicating that underlying price pressures remain relatively contained. Looking ahead, inflation is expected to continue moderating as earlier cost pressures fade.

Meanwhile, Eurostat data show that headline inflation in the Eurozone slowed to 1.9% y-o-y in December, from 2.1% in November, resulting in an annual average of 2.1% for 2025. Services made the largest contribution to December inflation, while energy prices continued to weigh on the headline rate. Core inflation edged lower to 2.3% y-o-y from 2.4% previously. With inflation firmly at the ECB's target growth expected to recover modestly in 2026, the ECB is likely to have ended its interest rate cutting cycle for now.

GERMAN AND EUROZONE ECONOMIC SENTIMENT TICKS UP

Economic sentiment improved in both Germany and the broader Eurozone in January 2026. In Germany, sentiment rose sharply, with the index increasing by 13.8 points to 59.6, extending its recent upward trend. Expectations have turned positive, supported by improved industrial production orders and increased optimism about the Mercosur trade agreement, despite ongoing uncertainty about trade relations with the US.

Economic sentiment in the Eurozone also strengthened, rising by 7.1 points to 40.8—more than five points above market expectations. The latest readings point to a cautiously improving outlook, underpinned by easing inflation pressures, expectations of monetary easing, and a more stable global trade environment.

CONTACT US

Editor: Lisette IJssel de Schepper

Tel: +27 (0)21 808 9777

Email: lisette@sun.ac.za

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