BUREAU for ECONOMIC RESEARCH

DATA REVIEW | NUMBER 34

11 September 2026

This week's domestic data pointed to a weaker growth backdrop, with real GDP contracting by 0.2% q-o-q in Q2. July activity data were more mixed, as manufacturing output rebounded while mining production declined further, and the current account swung sharply back into deficit as the energy shock lifted SA's import bill. Internationally, the ECB raised rates again as elevated energy prices kept inflation risks alive, while China also recorded renewed consumer and producer price pressure.

In the **full Weekly Review**, we unpack what $100+ oil and rising global bond yields mean for SA, why the latest fuel-price dynamics complicate the inflation outlook, and how the weaker growth picture changes the risks around the SARB's September decision.

DOMESTIC DATA

Paul Gluckman

Q2 GDP DISAPPOINTS AS THE ECONOMY LOSES GROWTH MOMENTUM

Real GDP declined by 0.2% q-o-q, below the consensus expectation of -0.1% and following a downwardly revised 0.4% expansion in Q1. The disruption caused by the Middle Eastern conflict and elevated oil prices weighed on confidence and the overall economic environment, although the contraction underscored broader economic weakness.

From the production side, only three out of 10 sectors contracted q-o-q, yet they subtracted significantly from the headline print. Unexpectedly, trade, catering and accommodation was the largest drag (-1.9%; -0.2% pts), which is disappointing given relatively strong household consumption. This was followed by declines in manufacturing (-1.8%; -0.2% pts) and mining (-3%; -0.1% pts), consistent with their recent monthly production data. The persistence of weakness in those two sectors is a concern, given their importance to the country's growth and employment prospects.

Heading into Q3, the performance of these sectors has diverged. Encouragingly, manufacturing production grew by 2.2% m-o-m in July, driven by strong food and beverage output (8% m-o-m; 1.8% pts). However, mining output continued its Q2 trend, falling 1.9% m-o-m, largely due to lower PGM (-4.3%; 1.2% pts) and gold (-10.4%; 1.1% pts) production.

From the expenditure side, a significant rise in imports (4.9% q-o-q; -1.3% pts) was the main drag, far outweighing the improvement in export demand (0.9%; 0.2% pts). Positively, gross domestic expenditure increased by 0.9% q-o-q, as household consumption (0.4%; 0.3% pts), government expenditure (0.4%; 0.1% pts) and a rise in inventories (+R26.5bn; 0.6% pts) offset the overall growth trend. Unfortunately, fixed investment remains weak, declining for the second consecutive quarter (-0.2%; 0.0% pts).

The combination of the Q2 contraction and the lower Q1 estimate points to more subdued growth in 2026 than previously expected. Clearly, the effect of elevated input costs and supply constraints has taken a toll on the economy. A reversal of these external factors could allow growth to gain momentum in the second half of 2026. However, as the third quarter nears its end, those pressures have not eased.

CURRENT ACCOUNT SWINGS SHARPLY BACK INTO DEFICIT

The current account balance (% of GDP) moved from a surplus of 2.3% in Q1 to a deficit of 2.6% in Q2, the widest since 2019Q3. A substantial rise in imports relative to exports drove the overall decline, and consequently, the trade balance fell from 5.3% to 1.9% over the same period. Our terms of trade fell 9% q-o-q, meaning import prices surged faster than our exports, and yet imports outgrew exports in volume as well. The energy shock played an important role. According to the SARB, the value of crude-oil imports rose by 82.1% in Q2 even though import volumes increased by only 1.8%, illustrating how sharply higher energy prices inflated SA's import bill.

INTERNATIONAL DATA

Nomvelo Moima

ECB RAISES POLICY RATE AS ENERGY MARKETS REMAIN UNSETTLED

As widely anticipated, the ECB hiked its policy deposit rate by 25 bps to 2.50% on Thursday, marking the central bank's second rate hike this year. Members of the ECB's Governing Council voted unanimously to raise rates, with their decision centred on the persistence of near-term upside risks to the inflation trajectory driven by continued conflict in the Middle East.

ECB staff projections for headline inflation were revised to indicate inflation will remain above target for longer. Headline inflation is still expected to average 3% in 2026, while the return towards the 2% target is now slower than previously expected. However, since the last interest rate decision, a positive yet precarious development has been the resilience of the euro area economy, as reflected in upward revisions to economic growth forecasts for 2026 and 2027. Both the monetary policy statement and ECB President Christine Lagarde's post-meeting remarks gave no explicit forward guidance. Lagarde stressed that future decisions would remain data-dependent and made on a meeting-by-meeting basis. Even so, with inflation expected to remain above target for an extended period and markets now assigning a substantial probability to another hike this year, the overall message was cautious rather than dovish.

ENERGY PRICES PUSH UP CHINA'S HEADLINE CONSUMER AND PRODUCER INFLATION

China's headline consumer price inflation print showed the first acceleration since April, after slowing to a six-month low in July. In line with consensus expectations, annual consumer inflation rose to 0.8% in August, up from 0.5%. The re-acceleration was largely driven by non-food prices, which quickened from 0.9% y-o-y in July to 1.2% y-o-y in August, partly reflecting higher transport and fuel costs.

Meanwhile, factory gate prices rose to an above-consensus 3.8% y-o-y in August, following a 3.5% y-o-y rise in July. On a monthly basis, PPI rose by 0.4%, reversing July's 0.7% m-o-m decline, as higher crude oil, coal and non-ferrous metal prices reinforced cost pressures.

The data suggest that the global energy shock is beginning to interrupt China's previously very subdued inflation picture, even though domestic demand remains relatively soft.

CONTACT US

Editor: Lisette IJssel de Schepper
Tel: +27 (0)21 808 9777
Email: lisette@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.

Stellenbosch UNIVERSITY IYUNIVESITHI UNIVERSITEIT

BER BUREAU *for* ECONOMIC RESEARCH