

WEEKLY REVIEW | NUMBER 22 | 13 JUNE 2025

Another global flashpoint ignites as Israel attacks Iran's nuclear facilities

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

The story for the week was initially relatively positive, with the overarching narrative being that the US and China agreed on a trade truce. However, overnight, Israel struck Iran's nuclear facilities, military sites and killed senior commanders in dozens of strikes. While Israel has attacked Iran before, this is the first time nuclear facilities were purposefully targeted, with those being "at the heart" of the operation, according to Israeli Prime Minister Benjamin Netanyahu.

The attacks were not fully unexpected, but came quicker than most expected. Yesterday, the US said it would evacuate non-essential staffers from several countries in the Middle East. A warning from Britain to ships sailing across the Strait of Hormuz (through which 25% of the world's oil gets shipped) caused jitters in the oil market. The US suggested that negotiations with Iran about its nuclear programme were stalling – a sixth round of talks was scheduled for Sunday, but it is unclear if those will continue now. Before yesterday, the Iranian defence minister said the country would retaliate without hesitation if it was attacked.

The **oil price** spiked by more than 4% to a two-month high amid concerns of renewed unrest in the Middle East mid-week, but came off those highs when a risk-off mood returned in global markets. This morning, Brent crude futures jumped by 12% to about \$78/barrel. Currency markets settled following an initial knee-jerk reaction after the news of the attack broke. Global equity futures were trailing lower this morning. The extent of the retaliation will determine much of the market and global reaction. The US was quick to state it was not involved and warned Iran not to target the US.

Moving back to the **data**, following a tough domestic data week, the news was a little better this week. While manufacturing and mining plunged relative to April last year, production for both edged up on a monthly basis. The international data calendar was relatively light, with May's US consumer inflation print probably the most keenly watched. It was expected that the May price data could show some sign of upward price pressure from tariffs, but in the end, the headline print was more benign than expected for the fourth consecutive month.

Headlines focused on **trade negotiations** between China and the US, which seemed to have ended well, although the respective presidents still need to give their final approval. The details remain unclear, but the 'London agreement' restores the flow of rare earths and lifts some of the US's export controls. The US further confirmed that it will be sending out letters with the new unilateral tariffs to be imposed per country in the next two weeks. This comes ahead of the 9 July deadline when the current pause in reciprocal tariffs, as announced on Liberation Day, ends. The US suggested that the European Union would be last in line as it prioritises agreements elsewhere. SA has formally requested that the 30% reciprocal tariff on SA stays

suspended while trade negotiations continue, but it remains to be seen what the US decides in that regard. Presidents Donald Trump and Cyril Ramaphosa are reportedly set to meet again this weekend during the G7 leaders' summit.

In what in the past would have been a non-event, it was positive to see the National Assembly adopt the **fiscal framework**. This was another, although not final, important step in completing the adoption of Budget 3.0.

Even before the Israeli attacks, it was not all good news, though. Locally, flooding in the Eastern Cape claimed at least 49 lives. Meanwhile, on the global front, fighting, which now largely takes place through aerial drone attacks, between **Russia and Ukraine** intensified. European countries unveiled yet another sanctions package on Russia. In the Middle East, despite growing international pressure, Israel continued its bombardments on Gaza. On US soil, anti-deportation protests that started in California but are now spreading through the country, led Trump to call in the National Guard, causing friction with state authorities.

Finally, global sentiment had soured in **financial markets** after the US confirmed it would be reimposing higher trade tariffs on individual countries. This pushed equity markets lower, and weakened the dollar. The rand lost some ground against all major currencies, depreciating the most against the euro. The JSE all share index hit a record high on Wednesday (97 094) before closing a touch lower at 97 029 (+0.6% w-o-w) on Thursday afternoon. Platinum was the star of the show on commodity markets, with a more than 10% surge w-o-w. The price of the precious metal is up by 37% since the beginning of the year. Other PGMs are also doing well.

Weekly Key Indicators		
	Close	w-o-w
R/\$	R17.76	0.3%
R/€	R20.57	1.4%
R/£	R24.15	0.3%
\$/€	\$1.16	1.1%
Brent	\$68.55	4.8%
Gold	\$3 380	0.4%
Platinum	\$1 258	10.9%
JSE ALSI	97 029	0.6%
10y gov. bond	10.09	4bps
FRA (1x4)*	7.29	-2bps

*Forward rate agreement

WEEK AHEAD: SA INFLATION DATA; US FED AND BoE EXPECTED TO KEEP RATES ON HOLD

The most important official domestic data release will be the May **consumer inflation** (CPI) print, released by Stats SA on Wednesday. Following the tick up from 2.7% to 2.8% in April, we expect another slight acceleration to 2.9% y-o-y. Inflation is thus expected to remain firmly below the midpoint of the current target for a tenth month, and the speculated 3% 'new' target for a third month. It is, however, set to move above 3% during the remainder of the year. Stats SA also published **retail sales** data for April on Wednesday, with wholesale and motor trade to follow the next day. Following fairly upbeat manufacturing and mining data published this week (on a m-o-m basis – see domestic for more), it will be interesting to see how domestic trade dynamics played out in April to get some initial sense of quarterly GDP growth in Q2.

Internationally, the focus will be on the interest rate decisions by the US Federal Reserve (Fed) and the Bank of England (BoE). Both are expected to keep monetary policy settings unchanged. Despite pressure from Trump and co to lower interest rates and May inflation coming in somewhat lower than expected (see international section), the **Fed** is not expected to cut its policy rate. Tariffs may still bump up inflation later this year, and the labour market, while cooling, does not warrant immediate easing. That said, a lasting trade truce between China and the US presents a downside risk to the US inflation outlook. The **BoE** faces a risk of sticky inflation, although it is coming from different drivers (energy and, to some extent, wage

pressure). The BoE could cut rates further later this year, with markets also still pricing in rate cuts by the Fed in 2025/26.

G7 leaders and SA, on invitation, are meeting in Canada this weekend, while Nato leaders will meet up in the Netherlands next week. The expectation, or perhaps hope, is that Nato members agree to ramp up defence spending. The escalation of the situation in the Middle East is likely to feature.

Date	Event	Latest
Monday (16 Jun)	CN: Retail sales; Industrial production (May)	5.1%; 6.1% y-o-y
Tuesday (17 Jun)	EZ, DE: ZEW Economic sentiment (Jun)	11.6; 25.2
Tuesday (17 Jun)	US: Retail sales; Industrial Production (May)	5.2%; 1.5% y-o-y
Wednesday (18 Jun)	UK; EZ: CPI inflation (final, May)	3.5%; 2.2% y-o-y
Wednesday (18 Jun)	SA: CPI inflation (May); Retail sales (Apr)	2.8%; 1.5% y-o-y
Wednesday (18 Jun)	US: Fed interest rate decision	4.5%
Wednesday (18 Jun)	US: Housing starts (May)	1.42m
Thursday (19 Jun)	UK: BoE interest rate decision	4.25%
Friday (20 Jun)	UK: Retail sales (May)	5% y-o-y
Friday (10 Jun)	EZ: Consumer confidence (flash, Jun)	-15.2

REFORM TRACKER

Roy Havemann

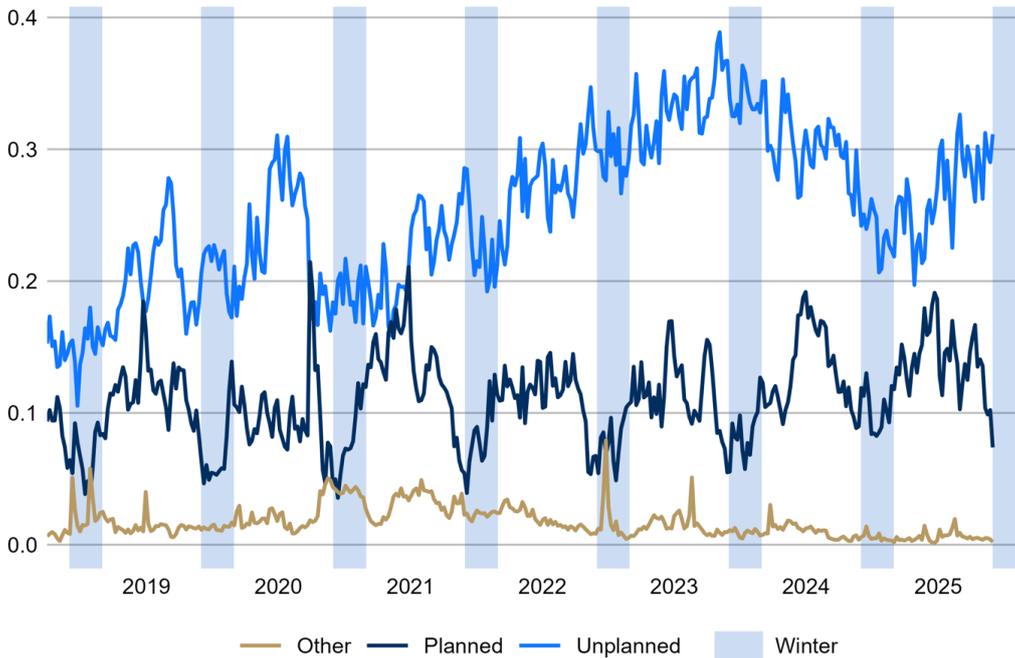
ESKOM

The National Energy Regulator of SA (NERSA) announced that a total of 1 971 generation facilities, with a combined capacity of 12 737 MW have now been registered. In the final quarter of the 2024/25 financial year, 160 new generation facilities were registered, adding 2 187 MW and an investment value of R41.94 billion.

Meanwhile, 3 GW / 12 GWh of battery energy storage is under capacity under development across public and private procurements. The electric mobility landscape also saw progress, with R100 million invested in solar-powered EV charging infrastructure and an order for 100 locally manufactured electric buses, signalling momentum toward a cleaner, decentralised energy future. However, progress was hampered by Eskom's decision to block licensed electricity traders from its new Virtual Wheeling product, frustrating hopes for a more liberalised and competitive energy market.

Outages as a Ratio of Installed Capacity

Value (Weekly Average of Hourly Data)



Data Source: Eskom (BER Calculations)

This is against the backdrop of Eskom supply remaining under pressure this winter, with unplanned outages averaging 14 644 MW—well above its winter baseline of 13 000 MW—putting the power system in dangerous territory. The utility has avoided load-shedding in recent weeks thanks to emergency reserves. The Energy Availability Factor (EAF), a key performance metric, remains below the 70% target needed to ensure a stable supply, sitting at just 60.4% for the month and 57.9% for the year so far.

THE ITP PROGRAMME

Last week, the Department of Electricity and Energy (DEE) and National Treasury announced major progress in SA's Independent Transmission Projects (ITP) Programme, a flagship public-private initiative aimed at expanding and modernising the country's electricity transmission infrastructure to support energy security, economic growth, and industrial development. Procurement will proceed in phases, beginning with a Request for Qualification (RFQ) by July 2025, followed by a Request for Proposals (RFP) in November. Additionally, a Credit Guarantee Vehicle (CGV) is being developed in partnership with the World Bank to mobilise private investment and support SA's decarbonisation goals, which are expected to become operational in 2026. The government emphasises that the ITP is more than an infrastructure project—it is a critical driver of industrialisation, investor confidence, and long-term national resilience.

DOMESTIC SECTION

Nomvelo Moima

A FURTHER ANNUAL DECLINE IN FACTORY OUTPUT, BUT MONTHLY GROWTH PERKED UP

Manufacturing production slumped by 6.3% y-o-y in April, following a downwardly revised 1.2% y-o-y decline in March. The headline figure came in worse than the consensus forecast, which anticipated a 4.5% decline in output. Weakness was reported across the board, with nine out of the ten main subsectors contracting. The biggest drags to annual output came from food and

beverages (-7.6%; -1.8%pts), metals and machinery (-6.3%; -1.4%pts), and motor vehicle parts and accessories (-13%; -1.2%pts).

However, on the positive side, seasonally adjusted (sa) manufacturing production increased by a better-than-expected 1.9% m-o-m, up from a 2.5% m-o-m decline in March.

April marked the sixth consecutive annual decline in manufacturing output, consistent with the Absa PMI, which has remained in contractionary territory over the same period. Therefore, a further decline in May's PMI suggests we could see another month of lacklustre activity in the manufacturing sector.

A LARGER-THAN-EXPECTED ANNUAL CONTRACTION IN APRIL MINING PRODUCTION

Mining activity also revealed a downside surprise relative to the consensus expectation (-4% y-o-y). According to Stats SA, annual mining output plunged by 7.8% in April, down from an upwardly revised 2.5% y-o-y contraction in the prior month. The biggest drag came from a fall in the production of PGMs (-24%; -8%pts) followed by gold (-2.5%) and coal (-1.7%) which both shaved off -0.3%pts from the annual figure. In contrast, iron ore made the largest positive contribution to output (+5.3%, adding 0.7%pts).

Positive for quarterly GDP dynamics, mining production ticked up by 0.6% m-o-m (sa), after a 3.6% m-o-m increase in March.

INTERNATIONAL SECTION

Tshepiso Maroga

US INFLATION SURPRISES TO THE DOWNSIDE

US headline consumer price inflation (**CPI**) came in at 2.4% y-o-y in May, slightly below consensus, but up from 2.3% y-o-y in April. On a monthly basis, CPI eased to 0.1% from a 0.2% increase in April, amid falling energy prices. In contrast, shelter and food prices rose by 0.3% m-o-m. Core inflation, which excludes food and energy prices, remained unchanged at 2.8% y-o-y in May, maintaining the slowest pace since 2021.

Meanwhile, producer price inflation (**PPI**) rose by 2.6% y-o-y in May, up from 2.5% in April. On a monthly basis, it also surprised to the downside, rising by 0.1% m-o-m in May, following an upwardly revised 0.2% fall in April.

MORE PRICE DECLINES IN CHINA

China's **consumer inflation** fell by 0.1% y-o-y in May, matching the decline recorded in the last two months. This highlights challenges posed by subdued domestic demand and trade tensions. Food prices continued to fall at a faster pace, while non-food prices were flat. Indeed, core inflation rose by 0.6% y-o-y. Meanwhile, factory gate deflationary pressure deepened in May. Producer prices plummeted by 3.3% y-o-y from 2.7% y-o-y in April. The Chinese government's implementation of stimulus measures to counteract economic headwinds appears insufficient to boost demand.

UK GROWTH DISAPPOINTS AND THE LABOUR MARKET CONTINUES COOLING

According to the Office for National Statistics (ONS), the **unemployment rate** rose to 4.6% in the three months leading up to April. Meanwhile, the estimated number of vacancies fell by 63 000 to 736 000 from March to May 2025. This suggests recruiters' hesitation to replace or hire new

workers in response to tax hikes. Over the same period, average earnings excluding bonuses eased to 5.2% from 5.6% compared to the previous three months. Although still elevated, slower pay growth, will be welcomed by the BoE as it provides an encouraging outlook on services inflation.

On the growth front, the **UK economy** contracted by 0.3% m-o-m in April, overshooting expectations of a 0.1% m-o-m decline. This follows an expansion of 0.2% m-o-m in March. Growth in construction output was offset by declines in the dominant services sector and production output. The sharp downturn was attributed to the implementation of the stamp duty land tax, higher employers' national income insurance and a decline in US exports as tariffs took effect in April (following frontloading in the first quarter).

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