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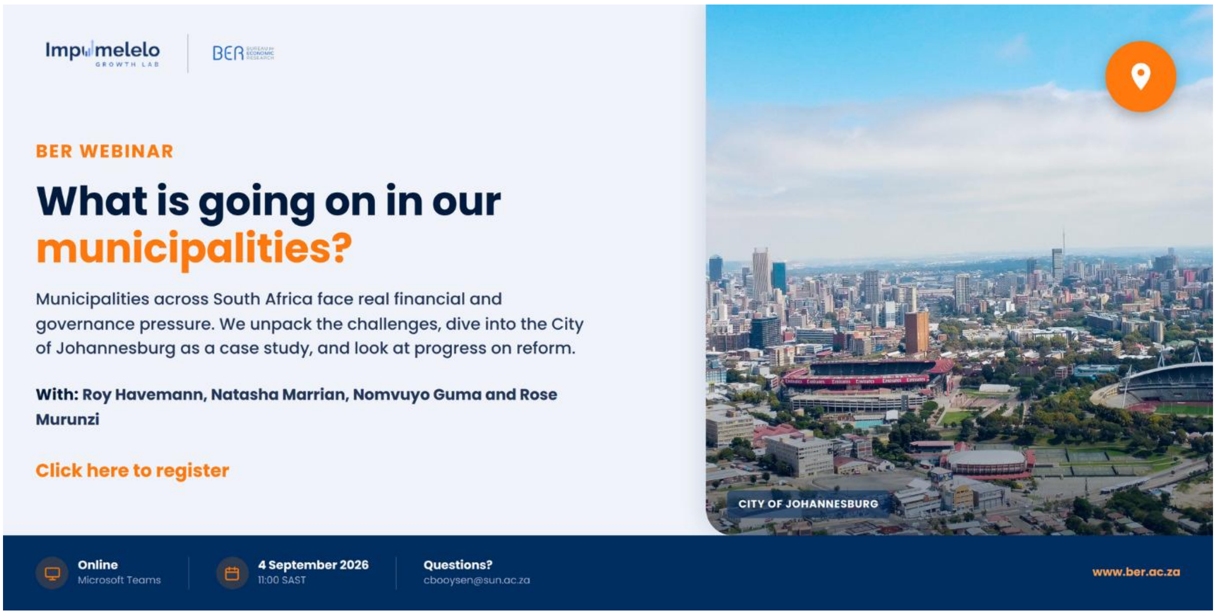
This week's data painted a mixed picture. In SA, the labour market weakened further, with employment falling and the unemployment rate rising to 33.6%, while both mining and manufacturing contracted in Q2. The declines in production were somewhat smaller than feared, however, leaving some upside risk to the BER's very weak second-quarter GDP forecast. Internationally, US inflation eased further, strengthening the case for a less hawkish near-term policy outlook, while UK growth remained resilient and Chinese inflation stayed subdued.

The full **BER Weekly Review** looks beyond the data to what changed in markets and policy this week. We examine the renewed rise in oil prices as hopes of a quick Strait of Hormuz agreement faded, the divergence between lower near-term US rate expectations and still-elevated long-term borrowing costs, and why the rand has strengthened despite weak domestic economic conditions. Natasha Marrian also assesses the latest political and polling developments ahead of the 2026 local government elections. The full Weekly is available to **BER Essential Insights subscribers and Premium Insights clients.**



DOMESTIC DATA

Nadia Matulich

QLFS POINTS TO CONTINUED LABOUR MARKET STRAIN

The latest Quarterly Labour Force Survey (QLFS) shows that the labour market remains under significant strain. Employment fell by 16k in Q2, a much smaller decline than the 345k recorded in Q1, which largely reflected the tail end of the winding down of the Presidential Youth Employment Initiative. At the same time, 329k more people entered the labour force in search of work.

This combination of fewer jobs and more job-seekers pushed unemployment up sharply. The number of unemployed people increased by 345k, while the official unemployment rate rose by 0.9%pts, from 32.7% to 33.6%. More specifically, the formal sector shed 41k jobs and households lost a further 9k. By contrast, the informal sector added 34k jobs. Taken together, the numbers suggest that more people are looking for work, but that the economy is not creating enough jobs to absorb them.

There were some pockets of improvement. Construction, trade and finance, which have struggled in recent quarters, recorded employment gains of 39k, 70k and 11k, respectively. However, employment declined in several other sectors, including community and social services, mining and manufacturing.

MANUFACTURING REMAINS WEAK, DESPITE MONTHLY IMPROVEMENT

Manufacturing production declined by 1.7% y-o-y in June, following contractions of 3.0% and 4.4% in April and May, respectively. On a more positive note, production improved somewhat in month-on-month terms, rising by 0.9% in June after increasing by 1.0% in May. However, for the quarter as a whole, manufacturing production was down by 1.5% relative to Q1.

The biggest drag came from food and beverages, which fell by 3.9% (-1.0%pt); wood and paper products (-8.9%; -0.8%pts) and transport (-5.3%; -0.4%pts). The remaining categories either grew only marginally or were broadly unchanged. The largest positive contributor was petrochemicals, which rose by 1.2% and contributed 0.3%pts.

MINING PRODUCTION CONTRACTS AGAIN IN JUNE

Mining production also declined in annual terms, falling by 4.0% in June. This followed a 7.9% increase in April and a 5.1% contraction in May. In month-on-month terms, production was up marginally, rising by 0.3% after declining by 5.3% in May. For the quarter, mining production was down by 2.7% relative to Q1.

The largest negative contributor to the annual decline was PGMs, which fell by 8.4% and contributed -2.4%pts. Coal and iron ore were also down, declining by 6.6% and 10.2%, respectively, and contributing -1.7%pts and -1.5%pts. The remaining categories recorded relatively minor increases and decreases. The largest positive contributors were manganese ore (+13.3%, +0.9%pts); gold (+6.2%, +0.5%pts); and chromium ore, (+8.6%; +0.5%pts).

INTERNATIONAL DATA

Kelebogile Mabitsi

US CONSUMER AND PRODUCER INFLATION EASE FOR A SECOND CONSECUTIVE MONTH

Consumer inflation edged down from 3.5% y-o-y in June to 3.4% y-o-y in July. Monthly, headline CPI increased by 0.1% in July, after falling by 0.4% in June, as shelter prices grew by 0.1% contributing about two-thirds to the index. Underlying price pressures moderated further with annual core inflation ticking down from 2.6% in June to 2.5% in July. The combination of a softer inflation reading and cooler labour market supports a less hawkish outlook for monetary policy.

Similarly, annual producer inflation slowed to 4.7% in July, down from 5.5% in June. Monthly producer prices recorded no growth, after falling by a revised 0.1% in June.

CHINA'S INFLATION SLOWS ON ACCOUNT OF SOFTER ENERGY PRICES

Annual consumer inflation eased from 1% in June to a six-month low of 0.5% in July. Food prices fell further by 1.5%, underpinned by plummeting pork prices. Additionally, transport costs eased from 4.1% in June to 0.4%, as global energy prices declined in July relative to the previous month. Monthly, consumer prices decreased by 0.1% in July, following a 0.3% drop in June.

China's producer inflation came in below expectations slowing to 3.5% y-o-y in July, down from 4.1% in June. Consumer goods prices fell by 0.8%, on the back of cheaper prices for food (-2.1%), clothing (-1.1%) and daily-use goods (-1%). In the near term, subdued domestic demand and lower energy prices are expected to keep inflation low.

UK ECONOMY MAINTAINS ITS RESILIENCE AMID WEAKER PRODUCTION

The UK's economy exceeded expectations and rose by 1.2% y-o-y in Q2, up from 0.9% in Q1. Quarterly, GDP increased by 0.4% in Q2, decelerating from 0.6% in Q1. By sector, production flatlined, while services and construction grew by 0.5% and 0.3%, respectively. Monthly, GDP rebounded from no growth in May to an expansion of 0.3% in June, supported by the services sector.

Meanwhile, annual industrial production fell by 0.2% in June, following a 1% rise in May, as momentum eased across the broader industry groups. Monthly industrial production improved slightly, as its contraction narrowed from 0.7% in May to 0.2% in June.

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