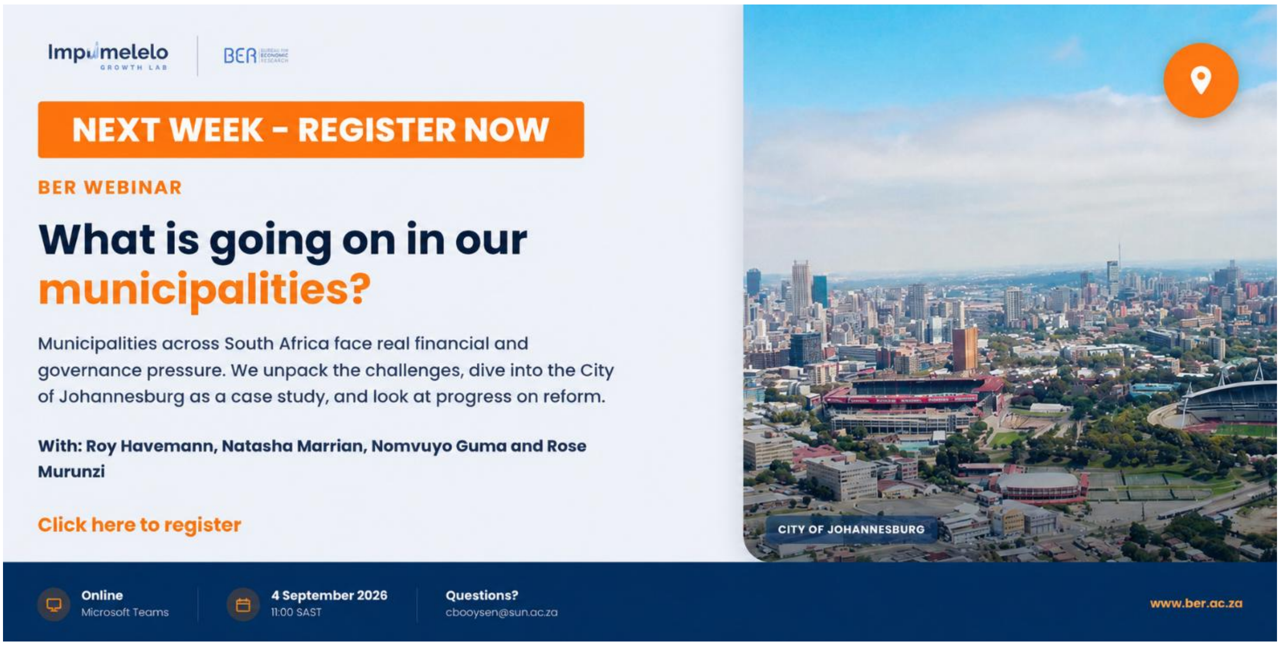
BUREAU for ECONOMIC RESEARCH

DATA REVIEW | NUMBER 32

28 August 2026

This week's data pointed to a mixed domestic and global picture. In SA, producer inflation slowed sharply in July, while the leading business cycle indicator weakened for a third consecutive month and motor trade sales remained soft on a monthly and quarterly basis. Internationally, US core PCE inflation remained elevated, reinforcing the Fed's difficult policy trade-off ahead of Jackson Hole, while German business and consumer sentiment improved.

In the full **BER Weekly Review**, we unpack the US escalation of its economic campaign against Iran, tentative progress towards reopening the Strait of Hormuz and the resulting decline in oil prices, the continued strength of AI investment following Nvidia's latest results, renewed US-Canada trade tensions, and why the rand has remained firm around R16/$ despite weak domestic growth momentum.



A note from the editor: Due to a glitch in our Mailchimp system, last week's Data Review alert was not sent. The issue was only resolved on Monday morning, by which point we decided against cluttering your inbox with a delayed notification. Our apologies. The Review itself is always published on **our website at 07h00 every Friday**, whether the email alert reaches you or not.

DOMESTIC DATA

Nkosinathi Nonkonyana

LEADING INDICATOR POINTS TO SOFTER ECONOMIC MOMENTUM

The SARB's composite leading business cycle indicator ticked down by 1.4% m-o-m in June, following a 0.3% drop in the previous month. This marks the third successive decline in the indicator, largely reflecting a decline in SA's US-dollar-denominated export commodity price index and an easing in the six-month smoothed growth rate of the real M1 money supply. The number of residential building plans passed, and the accelerated six-month smoothed growth rate in job advertisements rose, but were outweighed by five out of the seven available component time series decreasing.

PPI SLOWS FOR THE SECOND MONTH

Annual producer price inflation moderated to 5.7% in July, from 7.5% in June, below market expectations of 6.1%. The easing in prices came from a softer rise in petrol (21.8% vs 36.5%) and diesel (29.4% vs 53.8%), as SA fuel prices declined at the start of the month.

MOTOR TRADE REMAINS WEAK DESPITE FIRMER ANNUAL GROWTH

Motor trade sales rose by 1.5% y-o-y in June, following 0.2% y-o-y in May. New vehicle sales increased by 15.6% (4% pts) and used vehicle sales by 6.3% (1.3% pts) in June, making the largest positive contribution, while fuel sales decreased by 12% (3% pts). Monthly, sales contracted by 2.7% in June, from a 2.6% decline in May. Quarterly motor trade sales decreased by 2.9% in the second quarter compared to the first quarter of 2026, with fuel sales being the main subtractor (-9.4%, -2.3% pts). Although motor trade sales growth edged higher annually after two consecutive declines, the continued monthly contraction suggests that underlying demand is losing momentum, setting up the sector to detract from second-quarter growth.

INTERNATIONAL DATA

Vincent van der Westhuizen

US PCE INFLATION HOLDS STEADY AHEAD OF WARSH'S ADDRESS

The Fed's preferred measure of inflation, core PCE inflation, remained at 3.3% y-o-y in July, unchanged from June, reflecting a 0.2% m-o-m increase, in line with expectations. Overall PCE inflation, which includes food and energy costs, rose by 3.7% y-o-y in July, unchanged from June, reflecting a 0.2% m-o-m increase, slightly above expectations. With core PCE remaining above the Fed's 2% inflation target, attention turns to Fed Chair Warsh's keynote speech today (28 August) for indications of how the Fed is weighing persistent inflation against recent labour-market weakness

GERMAN BUSINESS AND CONSUMER SENTIMENT IMPROVES

Germany's Ifo Business Climate Index rose to 88.8 points in August, up from 86.8 in July and exceeding expectations of 87.2. This marks the fourth consecutive monthly increase and the highest level since August 2025 (88.9), indicating higher company satisfaction and optimism and declining uncertainty despite elevated energy prices. The Current Conditions component rose to 88.5, up from 86.5 in July and above expectations of 87, while the Expectations component rose to 89.1, up from 86.8 in July and exceeding expectations of 87.5. Overall sentiment improved in the manufacturing, services, trade, and construction sectors, with expectations improving across the board, and construction being the only sector to assess its current situation as worse.

Germany's forward-looking GfK Consumer Climate Indicator rose to -26.6 for September, up from -29.4 for August and exceeding forecasts. While the indicator remains lower than September 2025 (-23.5), this marks the highest reading since March and suggests that consumers are becoming less pessimistic. The improvement was largely driven by a recovery in income expectations, which rose significantly to 1.7 from -14.5, while strengthening economic expectations (rising to -3.9 from -6.3) and easing willingness to save (still elevated but down to 15.5 from 17) provided support. Importantly, a virtually unchanged willingness to buy, measured at -9.8 (from -9.9), indicates that stronger income expectations have not translated into a readiness to spend.

The divergence suggests that improving household expectations have yet to translate into a meaningful recovery in consumption appetite.

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Please refer to the glossary on the **BER website** for explanations of technical terms.