

WEEKLY REVIEW | NUMBER 18

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This report summarises the key domestic and international data releases over the past week. The full **BER Weekly Review** also unpacks renewed hopes for a US-Iran deal, China's increasingly central geopolitical role following visits by both Donald Trump and Vladimir Putin, and growing concerns around Johannesburg's deteriorating financial position and mounting Eskom arrears. The Weekly further includes a detailed South African political update by Natasha Marrian, alongside our latest SARB and inflation outlook ahead of next week's MPC meeting.

The full Weekly is available to BER Essential Insights subscribers ([sign up here](#) for only R210/month) and Premium Insights clients.

Please also note that registrations for the BER Conference on 2 June remain open for a few more days. We are excited to confirm that ActionSA national chairperson Michael Beaumont will join the DA's Helen Zille on stage, in conversation with the BER's Natasha Marrian on the battle for Johannesburg. Readers who purchase both a conference ticket and an annual Essential Insights subscription still qualify for a discounted package. [Register here](#).

DOMESTIC DATA

Nomvelo Moima

APRIL INFLATION QUICKENS ON FUEL JUMP

Headline consumer price inflation surged to its highest level in almost two years, accelerating to 4% y-o-y in April, up from 3.1% in March. This was in largely in line with expectations. The release reinforced the increasingly services-led nature of underlying inflation dynamics. Price growth was led by housing and utilities (5.2% y-o-y), contributing 1.2% pts to the annual increase. Followed by the transport component (4.9% y-o-y; +0.7% pts) and the insurance subcomponent. In contrast, food inflation surprised to the downside, easing to 2.9% y-o-y in April from 3.6% in the prior month, marking a third consecutive month of slowing. On a monthly basis, CPI rose sharply up 1.1% in April, from 0.6% rise in March, the fastest pace since 2022. Stripping away the volatile food and energy components, core inflation accelerated from 3.2% to 3.6% y-o-y.

WHOLESALE TRADE SALES SURGE IN MARCH

Real wholesale trade sales increased by 8.3% y-o-y in March, a substantial jump from -1.4% y-o-y in February. This marked a solid rebound following two consecutive months of annual contractions and the sharpest rise in wholesale sales since July 2024. Seasonally adjusted

(sa) sales jump by 5.5% m-o-m, up from 0.7% in the prior month. This was possibly supported by front-loaded demand ahead of expected price increases and is unlikely to be sustained at this pace. Still, positive for GDP, real wholesale trade sales (sa) rose by 0.9% q-o-q in Q1.

Also encouraging was that this was accompanied by continued growth in the retail sales. Real retail trade sales increased by 2.6% y-o-y in March, up from a 1.6% y-o-y in the prior month. Sales growth was mainly driven by general dealer (1.7% y-o-y, adding 0.8% pts) and the 'all other' retailers category. Of the seven retail trade categories, only retailers in food, beverages and tobacco in specialised stores registered an annual contraction in sales. Compared to February, real retail trade sales (sa) increased by 0.1% m-o-m in March, but were flat q-o-q.

INTERNATIONAL DATA

Paul Gluckman

WEAKER CHINESE INDUSTRIAL PRODUCTION AND RETAIL SALES

China's annual industrial output growth decelerated from 5.7% in March to 4.1% in April, the lowest reading since July 2023. While strong exports (up 12% m-o-m due to stockpiling) would have propped up production, sluggish crude oil and non-metallic mineral production since the war resulted in a stagnant monthly reading. Although production levels were maintained through April, the overall momentum of China's industry has been subdued by the ongoing stalemate between the US and Iran.

Meanwhile, retail sales for March declined from 1.7% y-o-y to 0.2% y-o-y in April, marking the slowest growth observed since December 2022. Monthly sales fell by 0.5% as rising cost pressures dampened consumer demand. China's economy has long struggled to stimulate domestic consumption, and mounting price pressures may further entrench this weakness. On the other hand, higher inflation can encourage consumers to increase spending, thereby promoting economic growth. The Chinese government would hope for the latter.

The unemployment rate for April declined by 0.2% pts to 5.2%. The near-term outlook for employment is unlikely to improve given elevated input costs and the rising constraints on global demand.

ANNUAL UK INFLATION FALLS AMID COST-PUSH SHOCK, BUT PMI FALLS BELOW 50

Consumer inflation for April eased from 3.3% y-o-y in March to 2.8% y-o-y in April. Housing and household services costs were the biggest drag (-0.5% pts), as the reduced energy price cap facilitates lower electricity and gas prices. However, this tariff relief only lasts till June, after which energy prices are expected to rise significantly, fuelling even higher inflation. For April, transport accounted for 0.7% pts of the annual inflation print.

However, that inflation eased beyond expectations, will please the Bank of England (BOE). Additionally, energy costs have not raised the overall price level or produced any second-order effects *yet*, so there is more potential for a rate hold in June – although the consensus expectation remains for a hike.

Meanwhile, the May flash PMI for the UK fell to 48.5 from 52.6, ending an economic expansion that had lasted since April 2025. The war has created strong headwinds, including high input prices and weak demand, that are weighing heavily on services. The services PMI dropped to 47.9 (from 52.7), the lowest since the pandemic. The manufacturing PMI remained at 53.7 for a second month, as heightened inventory frontloading balanced out the impact of rising input costs and supply chain delays.

EUROZONE PMI FALLS TO 31-MONTH LOW AMID ONGOING SUPPLY SHOCK

May's flash composite PMI dropped to 47.5 from 48.8 in April, marking the second consecutive month of contraction. Surging cost pressures have restricted demand globally, leading to a reduction in activity, export orders and new business, causing the services PMI to decline further to 46.4 (from 47.6). The fall in services activity was matched by substantial employment reductions and a 32-month low in business confidence.

Meanwhile, the manufacturing PMI fell to 51.4 from 52.2. While purchasing activity and output grew as businesses try to frontload inventory to combat rising costs, severe supply chain disruptions limit manufacturers' ability to secure input stock. Consequently, supply delivery times reached a 4-year high, which pushes up the overall reading.

US OUTPUT GROWTH HOLDS STEADY AS SIGNS OF WEAKNESS BEGIN TO EMERGE

The May composite flash PMI was unchanged at 51.7, supported by the manufacturing sector, whose PMI rose to 55.3 (from 54.5), as activity rises to meet demand for precautionary inventory. Although input prices are accelerating, manufacturers are optimistic and have added jobs to cope with new orders. High demand, tariffs and supply disruptions have also lengthened delivery times, uplifting May's print.

Meanwhile, the services PMI fell marginally to 50.9 (from 51.0). Supply constraints and surging energy costs have begun to undermine demand, business sales and push up selling prices. These conditions have weakened business sentiment and led to job losses in the service sector. Overall, while output remains in expansionary territory, if stock demand deteriorates and input prices remain high, a downturn in growth is expected.

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