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This report summarises the key domestic and international data releases over the past week, including South Africa's weaker leading business cycle indicator, moderating private sector credit extension and producer inflation, and resilient new vehicle sales despite softer motor trade activity. Internationally, we cover the US Federal Reserve's divided decision to leave interest rates unchanged, softer US inflation and GDP growth, and stronger-than-expected Eurozone economic activity.

The **full BER Weekly Review** examines widening conflict in the Middle East, volatile oil markets and the US Federal Reserve's increasingly opaque policy communication. We also consider what recent developments at the Independent Directorate Against Corruption (IDAC) and the Public Investment Corporation (PIC) mean for confidence in South Africa's institutions, while Natasha Marrian analyses coalition dynamics ahead of the local government elections. The full Weekly is available to BER Essential Insights subscribers (**sign up here**) and Premium Insights clients.

DOMESTIC DATA

Paul Gluckman

SARB'S MONTHLY LEADING INDICATOR DECLINES FURTHER IN MAY

The composite leading business cycle indicator, a gauge of future economic activity, dropped by 0.3% in May, following a revised 2% decrease in April. The split between the 10 available forward-looking components was balanced (five positive and five negative changes), but the overall index remained slightly weighted to the downside. The RMB/BER Business Confidence Index, which fell from 47 to 39 in 2026Q2, was the largest negative contributor, followed by a decline in the number of residential building plans approved. These were partially offset by stronger growth in real M1 money supply and new passenger vehicle sales, resulting in only a modest decline in the overall indicator.

Furthermore, the coincident business cycle indicator decreased by 0.4% in April, reflecting weaker wholesale, retail and motor trade sales. While the lagging indicator rose by 0.1% in the same month, it remains well below levels seen in recent years.

PRIVATE SECTOR CREDIT CONTINUES TO MODERATE, WHILE FUEL PRICES KEEP PPI HIGH

Annual growth in private sector credit decelerated from 8.6% in May to 7.8% in June. This marks the third consecutive monthly slowdown, following a period of relatively strong credit growth since early 2025. Although credit growth remains robust by historical standards, the moderation is consistent with tighter financial conditions following higher borrowing costs and elevated inflation.

Indeed, headline producer inflation eased slightly from 7.8% y-o-y in May to 7.5% in June. Coke, petroleum, chemical, rubber and plastic products remained the largest positive contributor (22.0% y-o-y; 4.7 % pts), reflecting still-elevated fuel prices. On a monthly basis, PPI declined by 0.1%, the first monthly decrease since the Strait of Hormuz was first closed, largely reflecting lower diesel prices (-9.6%), food products (-0.5%), and furniture and other manufacturing (-2.5%).

STRONG NEW VEHICLE SALES CUSHION WEAKER MOTOR TRADE ACTIVITY

Annual motor trade sales were unchanged in May, following 6.1% growth in April. New vehicle sales continued to perform strongly (15.2% y-o-y; 3.9 % pts), while income from convenience stores also supported the annual outcome (7.1% y-o-y; 0.2 % pts). However, lower fuel sales (-8.6% y-o-y; -2.1 % pts), together with declines in workshop income (-10.6% y-o-y; -0.4 % pts) and accessory sales (-7.0% y-o-y; -1.5 % pts), point to broader weakness across the motor trade sector. On a monthly basis, motor trade sales declined by 2.2% in May, with new vehicle sales the only category to record an increase.

INTERNATIONAL DATA

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A DIVIDED US FED AND A HAWKISH BOE DELIVER HOLDS

The US Fed decided to keep the federal funds rate at 3.50-3.75% by a 9-3 vote, with the three dissenting members of the FOMC voting in favour of a 25 bps hike. Uncertainty about the possible direction of rates around the July meeting was omnipresent, as markets were still pricing in a 36% to 38% probability of a surprise 25 bps rate cut ahead of Wednesday's decision, highlighting the unusually uncertain policy outlook. Although in the post-meeting press conference, Fed chair Kevin Warsh reaffirmed the Fed's commitment to its 2% inflation target, stating “there is no soft inflation, there is no implicit target, not on this committee's watch”. However, his remarks provided little additional guidance on the likely policy path, leaving markets to weigh persistent inflation against signs of moderating growth and renewed geopolitical risks.

Across the Atlantic, the BoE also met to decide on the path for UK interest rates. As expected, the Bank's monetary policy committee (MPC) voted to keep interest rates steady at 3.75% at the July meeting. However, the share of votes in favour of a hike rose from two at the previous meeting to three, with the vote split six to three in favour of a hold this week. Despite the hold, the BoE struck a hawkish tone, promising to act to ensure that inflation, which they project will accelerate due to higher energy costs through the rest of the year but peak lower than previously expected, returns to their 2% target.

US PCE INFLATION AND GDP GROWTH SOFTEN

The Fed's preferred measure of inflation, core PCE inflation, released a day after the rate decision, eased 3.3% y-o-y in June, down from 3.4% y-o-y in the prior month, reflecting a 0.1% m-o-m increase. This slightly undershot consensus expectations of a 0.2% m-o-m rise. Meanwhile, overall PCE inflation rose by 3.4% y-o-y in June, from 4.1% y-o-y in May.

Notably, in line with the benign June CPI reading, which the FOMC had on hand going into the July meeting, the softer reading was mostly driven by lower fuel prices following the temporary US-Iran truce during the month.

Still in the US, economic growth is estimated to have slowed in Q2. Real GDP growth came in at a below-consensus 1.5% q-o-q (saar) rate in 2026Q2, after growing by 2.1% in 26Q1. This came as a rise in imports and slower government spending dragged on overall GDP growth. However, underlying growth strengthened, as real final sales to private domestic purchasers rose by 3.9% q-o-q (saar), up from 1.7% in Q1 and AI-driven investment continued to contribute positively to growth.

EZ ECONOMY PROVES RESILIENT

Preliminary estimates show that EZ GDP grew by 1% y-o-y during 2026Q2, expanding at twice the pace expected by consensus, which had forecast a consecutive quarter of 0.5% growth. On a quarterly basis, growth also outpaced expectations, accelerating by 0.4% in 26Q2, marking the fastest pace of expansion since 2025Q1, an encouraging outcome against a backdrop of elevated energy prices and geopolitical uncertainty. The expansion was broad-based, with all the bloc's largest economies expanding. Germany, France and Italy were all estimated to have grown by 0.2% q-o-q, while Spain led with growth of 0.7% q-o-q.

Also delivering a positive surprise, the ifo Business Climate Index improved for a third straight month, edging up to 86.6 points in July from 85.7 in June. The improvement was driven by a considerable brightening in expectations for the coming months (up from 84.3 to 86.7 points). However, tensions in the Middle East continue to weigh on perceptions of the current operating environment, and given that confidence has not returned to pre-war levels, prolonged tensions could reverse the recent positive momentum.

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