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SA inflation edged higher in September as fuel prices continued to bite, although underlying price pressures remained relatively contained. Retail sales were still resilient and wholesale trade showed signs of a sequential recovery. Internationally, China's export-led growth remained firm, while higher energy prices pushed up inflation and weighed on sentiment in Europe. In the full **Weekly Review**, we also unpack the MTBPS, the renewed oil-price shock and the coalition arithmetic taking shape ahead of the local government election.

DOMESTIC DATA

Nkosinathi Nonkonyane

RISING FUEL PRICES ADD FURTHER INFLATIONARY PRESSURE

Annual headline consumer price inflation edged up to 4.5% in September, from 4.4% in August, but came in below market expectations of 4.7%. The increase was largely driven by transport inflation, which accelerated from 8.8% to 10.8% and contributed 1.5% pts to headline inflation. This primarily reflected higher fuel prices, which were up 27.9% y-o-y and 6.2% m-o-m. Housing and utilities (5.2%, contributing 1.3% pts) and insurance and financial services (5.4%, 0.6% pts) were also significant contributors. Monthly consumer inflation rose by 0.4% in September, slightly above market expectations of 0.3%.

Importantly, underlying inflation pressures remained comparatively contained. Annual core CPI, which excludes food and energy, eased to 4% in September from 4.1% in August, while monthly core inflation rose by a modest 0.2%. The September print therefore continues to point to an inflation shock concentrated primarily in fuel and related transport costs rather than a broad-based acceleration in prices. However, the much larger fuel-price increase implemented in October means headline inflation is likely to rise further in the near term.

RETAIL SALES REMAIN RESILIENT, WHILE WHOLESALE TRADE REBOUNDS FROM A WEAK BASE

Annual retail sales grew by 3.3% in August, only marginally softer than the 3.4% recorded in July. The largest contributors were retailers in textiles, clothing, footwear and leather goods, where sales rose by 6.5% and contributed 1% pt, while "all other retailers" increased by 8.1% and general dealers by 2%, each contributing 0.9% pts. Only hardware, paint and glass retailers recorded an annual contraction.

Seasonally adjusted retail sales declined by 0.3% m-o-m in August after jumping by 2.4% in July. Despite the monthly dip, the quarterly picture remains relatively encouraging.

Wholesale trade presents a somewhat different annual picture, with real sales declining by 0.9% y-o-y in August, marking a fourth consecutive annual contraction. However, the monthly and quarterly dynamics are more encouraging than the annual rate suggests. Seasonally adjusted wholesale sales rose by 6.2% m-o-m in July and a further 1.2% in August, following particularly weak outcomes in May and June.

As a result, the July-August level of wholesale activity is now above the second-quarter average. Rather than pointing to another quarterly contraction, the data currently suggest some recovery in Q3, although the September outcome will determine whether that rebound is sustained. The divergence between still-negative annual growth and improving sequential momentum is therefore worth keeping in mind when assessing the sector's contribution to third-quarter GDP.

INTERNATIONAL DATA

Vincent van der Westhuizen

EXPORTS CONTINUE TO DRIVE CHINA'S "TWO-SPEED ECONOMY"

China's GDP grew by 4.5% y-o-y in Q3, up from 4.3% in Q2 and above expectations of 4.4%. This raises the country's GDP y-o-y growth for the first nine months of 2026 to 4.6%, within the government's full-year growth target of 4.5–5%, reducing some of the immediate pressure for additional policy easing. Q3 growth was largely driven by strong exports, including strong demand for high-tech and electronic goods, which offset continued weak investment and sluggish domestic demand. The figures reinforce the picture of China's "two-speed economy", with growth increasingly reliant on manufacturing and overseas demand.

In September, China's exports increased by 36.3% y-o-y, resulting in a monthly trade surplus of $133.5bn, close to a record. Its industrial production grew by 5.5% y-o-y (0.61% m-o-m), up from 5.2% in August and above expectations of 5.4%, supported by continued manufacturing expansion (up 6% y-o-y). In contrast, fixed-asset investment fell by 7.2% in the first nine months of 2026 compared with the same period a year earlier, with property investment remaining the largest drag (-20.6% y-o-y). Retail sales increased by 1.1% y-o-y, up from 0.4% in August and above the 0.5% expectation. However, despite the improvement, "insufficient domestic demand" was still cited as a prominent challenge by Mao Shengyong, vice-minister of the National Bureau of Statistics.

The country's surveyed urban unemployment rate fell to 5.2% in September, down from August's five-month high of 5.3% and below expectations of 5.3%. For the first nine months of 2026, the rate remained unchanged from the same period in 2025 at 5.2%.

UK INFLATION SURGES ON HIGHER FUEL PRICES

The UK's annual CPI inflation rate rose to 3.5% in September, up from 3.1% in August and above expectations of 3.4%, driven by transport costs from elevated petrol and diesel prices. M-o-m, CPI inflation rose by 0.4%. Annual core CPI inflation rose to 2.8%, up from 2.6% in August, increasing m-o-m by 0.2%.

Producer input prices rose by 8.3% y-o-y in September, up from 6.7% in August and exceeding expectations of 7.2%, while output prices rose by 4.6% y-o-y, up from 3.8% in August. M-o-m, producer input prices rose by 1.5%, driven primarily by inputs of crude oil prices (up 14% m-o-m), while output prices rose by 0.8%. Core PPI rose to 2.9% y-o-y in September, up from 2.8% in August.

These accelerating inflation rates come ahead of the UK budget speech on the 28th of October, pushing up interest costs on government debt and constraining the UK government's fiscal space, while also cementing expectations of a BoE interest rate hike on the 5*th* of November.

GERMAN INVESTOR MORALE FALLS AS ENERGY PRICES REMAIN HIGH

The ZEW Indicator of Economic Sentiment for Germany fell to 28.1 in October, down from 34.7 in September and below expectations of around 30, marking the end of five consecutive months of improvement. The largest sectoral drags came from banks (down 18.4 points) and insurance companies (down 9 points), both of which remain comfortably positive, while steel and metal production and electrical engineering provided sectoral support. The ZEW flagged weak private consumption and investment as areas of concern, with high energy prices weighing on real incomes, increasing production costs and keeping inflation elevated.

In contrast, the current situation indicator improved by 11.2 points to -35.9, its highest level since May 2023, indicating that respondents were less negative about current conditions even as expectations weakened.

Sentiment also weakened across the broader Eurozone, with the ZEW expectations index falling to 18.5 from 25.8.

CONTACT US

Editor: Lisette IJssel de Schepper
Tel: +27 (0)21 808 9777
Email: lisette@sun.ac.za

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