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Note: Shaded area in graphs denote the downward phase of the business cycle.

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Highlights

GDP contracts severely in Q1

Statistics South Africa reported that GDP contracted by 3.2% (seasonally adjusted and annualised; saa) in the first quarter of 2019, following on growth of 1.4% in the preceding quarter. The contraction was fairly broad based on the production side, as output levels fell in seven of the ten main economic sectors. Lower production volumes were most severe in the primary sector of the economy. Output in the mining and manufacturing sectors plummeted by 10.8% and 8.8% respectively. The only increases were registered in the finance, government and personal service industries. On the demand side, the contraction was mostly due to export volumes that fell by 26.4% saa. Household consumption and fixed investment levels also contracted. In contrast, a much reduced decline in inventories countered the overall GDP contraction by 5.3 percentage points, while government consumption also expanded slightly.

Consumer confidence ticks up in Q2

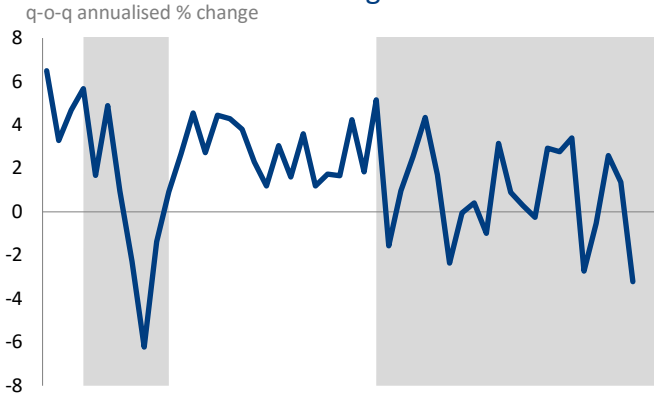
After declining from +7 index points to +2 during the first quarter of 2019, the FNB/BER CCI recovered slightly to +5 during 2019Q2. Following the shock implementation of stage 4 load shedding by Eskom during the first quarter, significantly fewer blackouts so far in the second quarter probably heartened some consumers. More importantly, the opportunity to vote in SA's 6th democratic election since the end of apartheid most likely buoyed consumers' hopes for the future. However, household budgets remain constrained by higher personal income taxes, sharp fuel and electricity price hikes and a rising unemployment rate. All in all, we expect a further deterioration in real consumer spending growth during 2019. BER clients can access a more detailed report [here](#).

SARB on hold in May with a dovish bias

On 23 May the Monetary Policy Committee (MPC) of the SA Reserve Bank (SARB) kept the repurchase rate unchanged at 6.75%, in line with market and our expectations. However, the tone of the MPC statement was notably more dovish than in the March meeting. Two of the five MPC members preferred a 25-basis point cut whereas previously the decision to keep the interest rate on hold was unanimous. The SARB's inflation outlook improved with headline inflation expected to average 4.5% (down from 4.8%) in 2019, but still settling above the 4.5% inflation target midpoint in 2020 at 5.1% (5.3% previously).

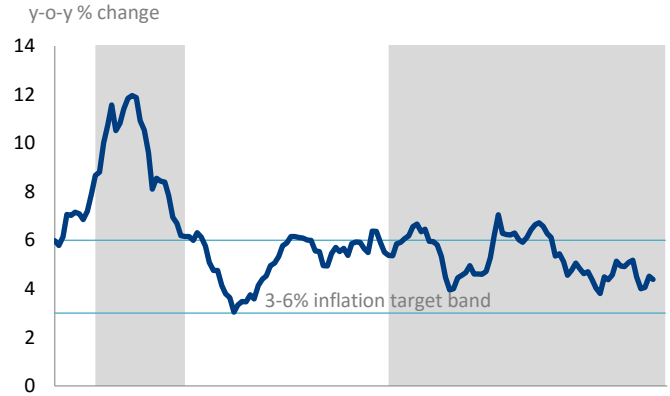
Core indicators

Real GDP growth



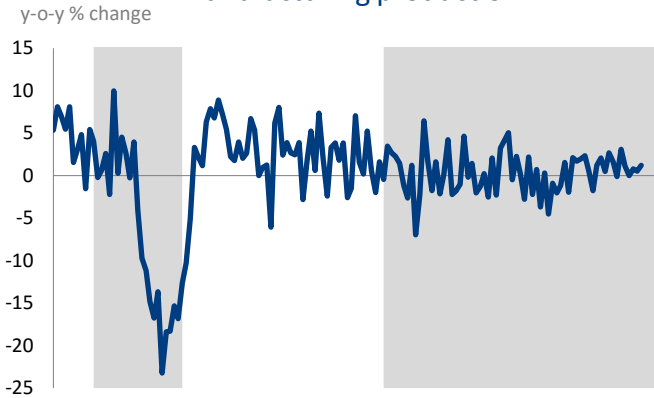
Source: Stats SA

CPI inflation



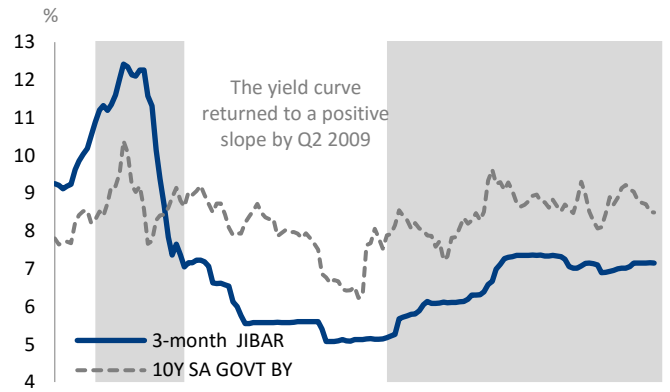
Source: Stats SA

Manufacturing production



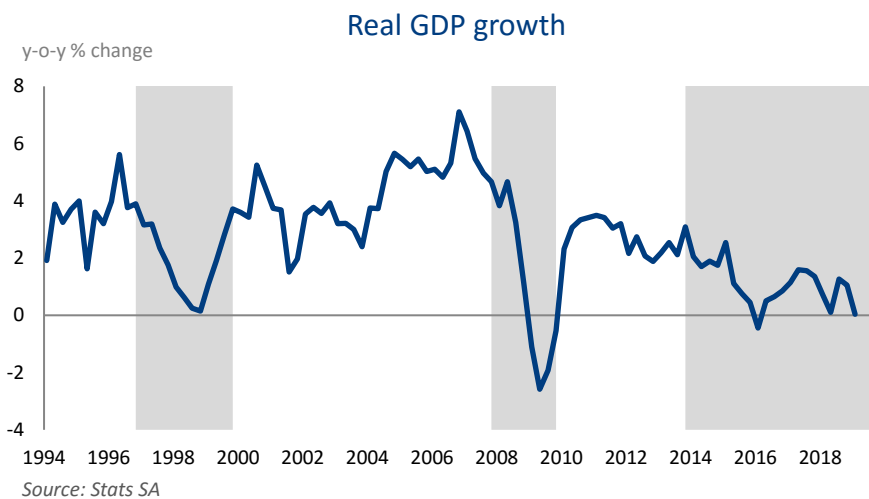
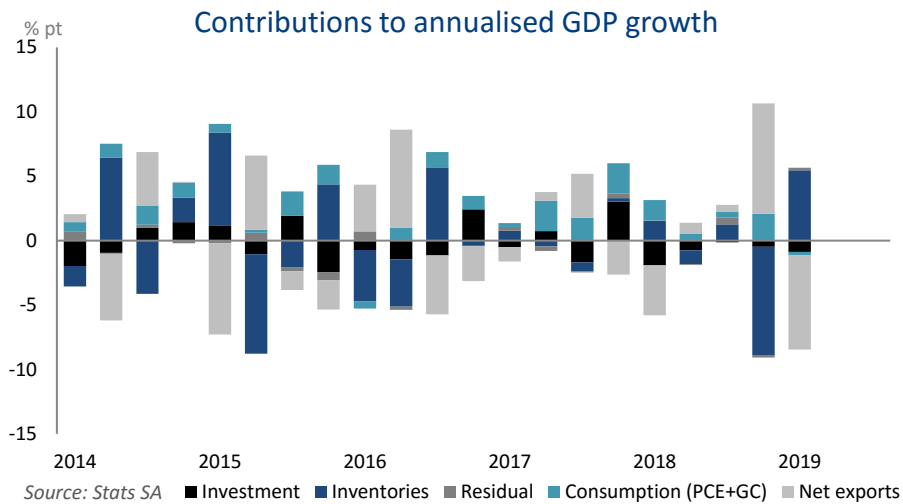
Source: Stats SA

Interest rates



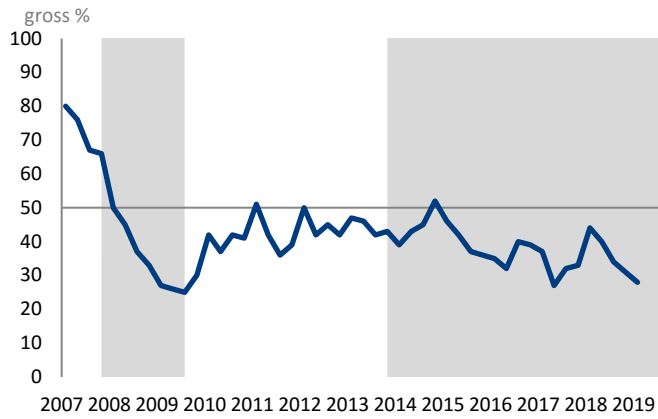
Source: Thomson Reuters

GDP growth



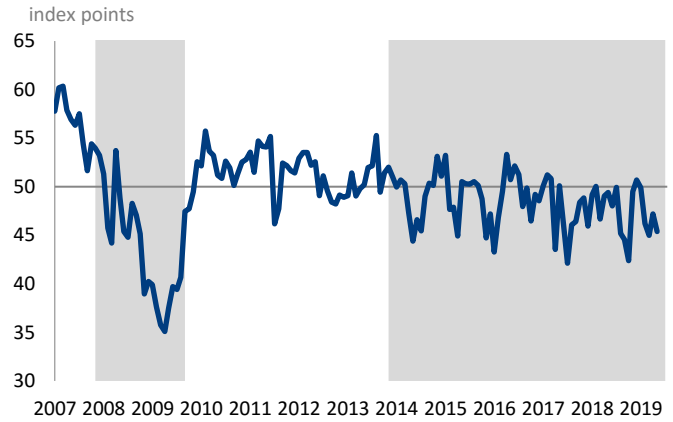
Business environment

RMB/BER Business Confidence Index



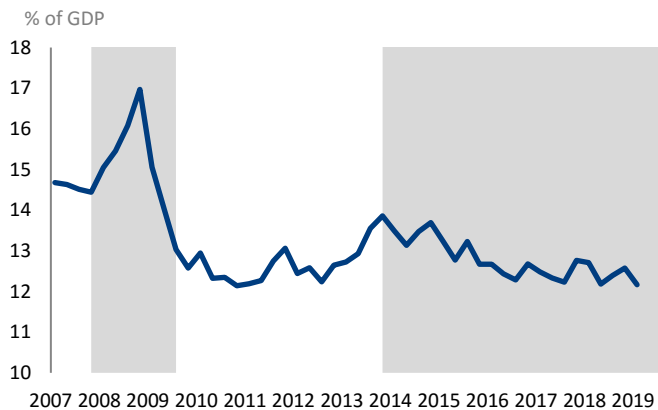
Source: BER

Absa Purchasing Managers Index



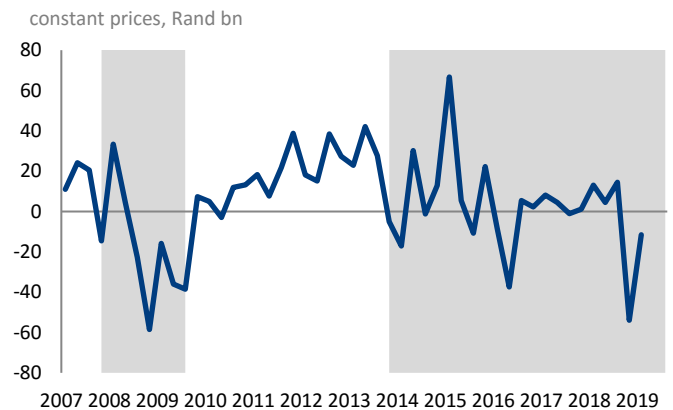
Source: BER

Private fixed investment



Source: SARB, Stats SA

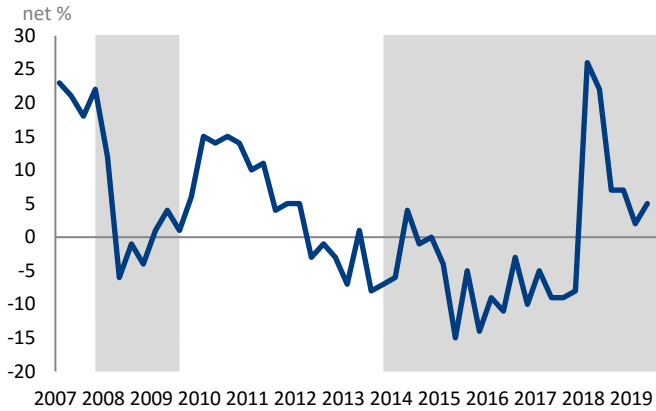
Changes in inventories



Source: SARB, Stats SA

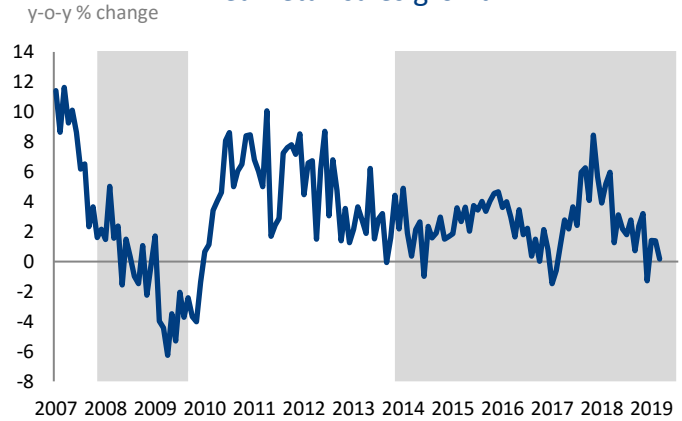
Household consumption

FNB/BER Consumer Confidence Index



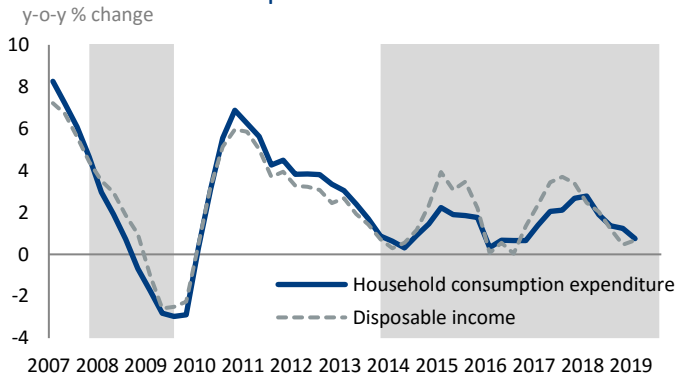
Source: BER

Real retail sales growth



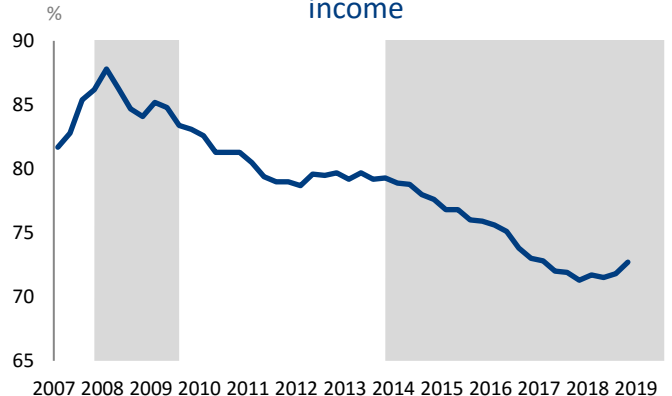
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

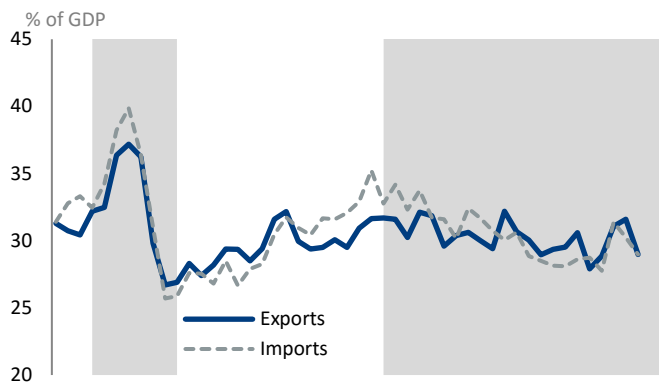
Ratio of household debt to disposable income



Source: SARB

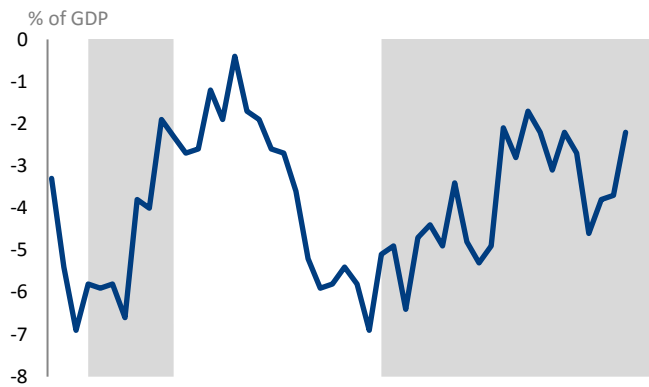
International trade

Imports and exports



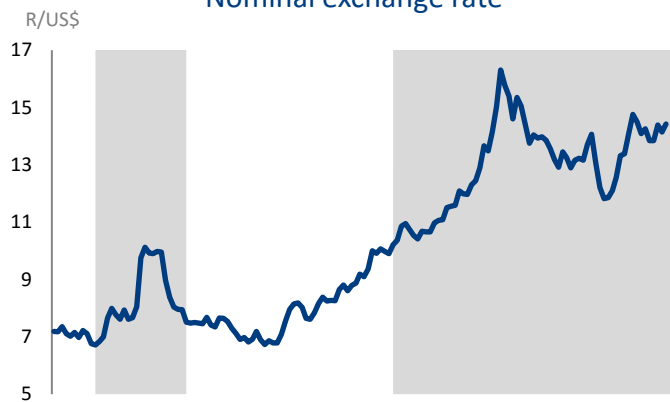
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Source: SARB, Stats SA

Current account balance



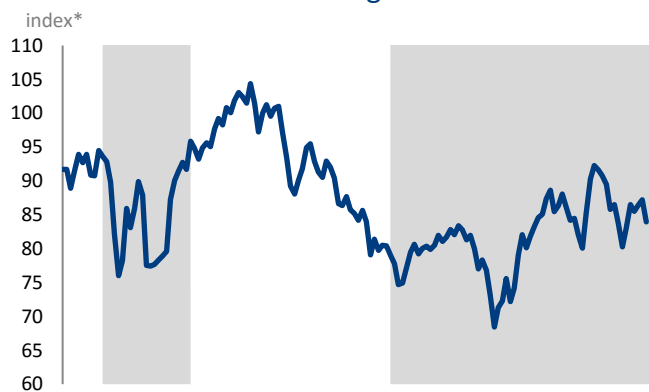
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Source: SARB

Nominal exchange rate



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Source: Thomson Reuters

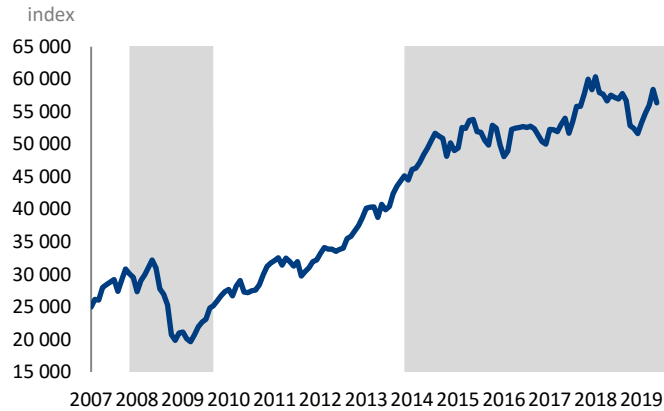
Real effective exchange rate of the Rand



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Source: SARB *higher values denote a stronger rand

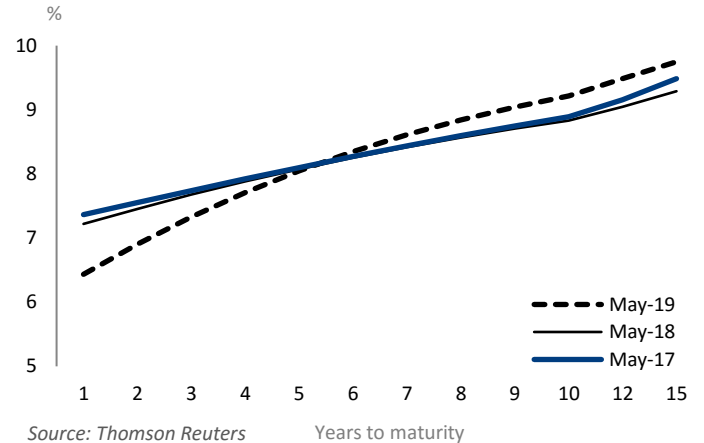
Financial markets

JSE all share index



Source: Thomson Reuters

Yield curve comparisons



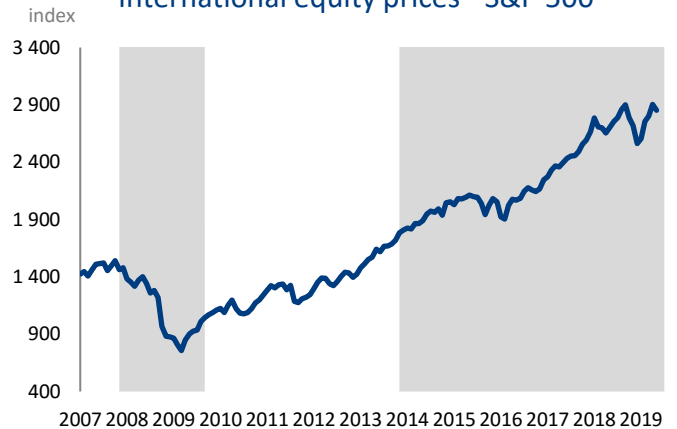
Source: Thomson Reuters

Economist all commodities index



Source: Economist

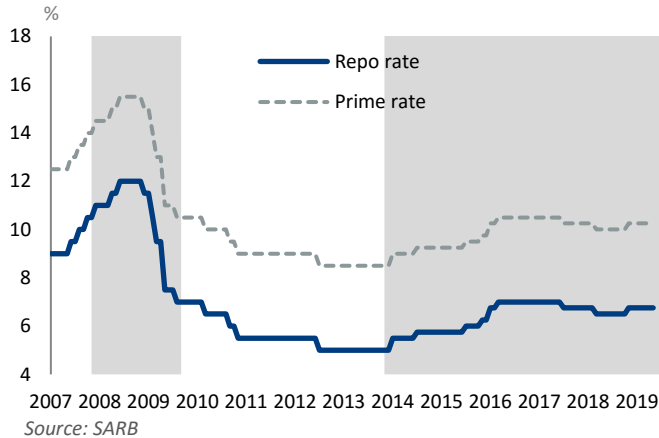
International equity prices - S&P 500



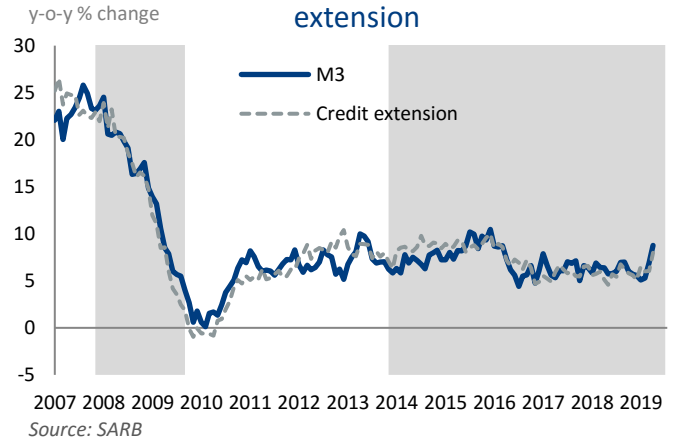
Source: Thomson Reuters

Money and prices

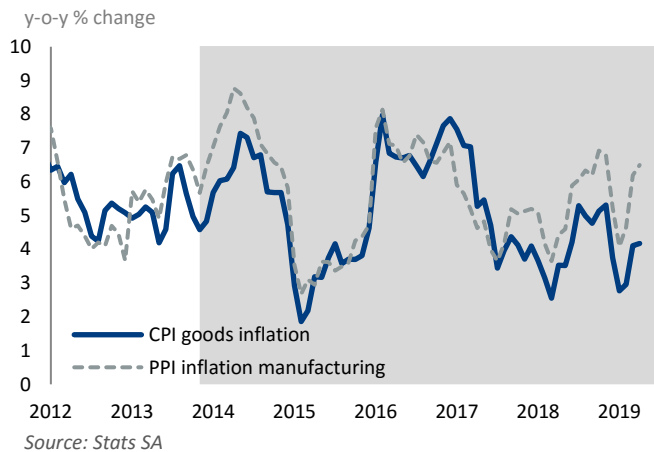
Repo and prime interest rate



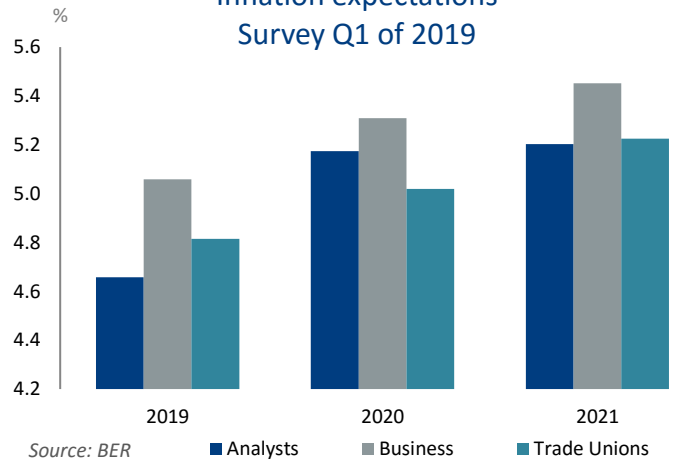
M3 monetary aggregates and credit extension



Consumer and producer prices

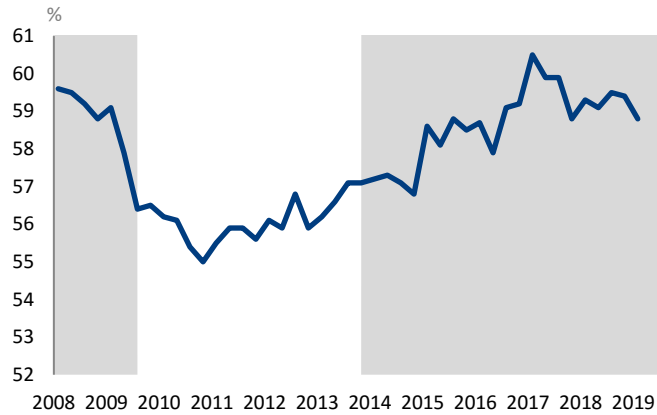


Inflation expectations Survey Q1 of 2019



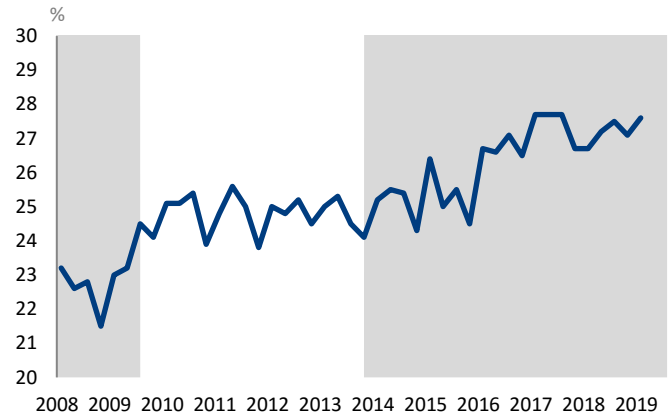
Labour

Labour force participation



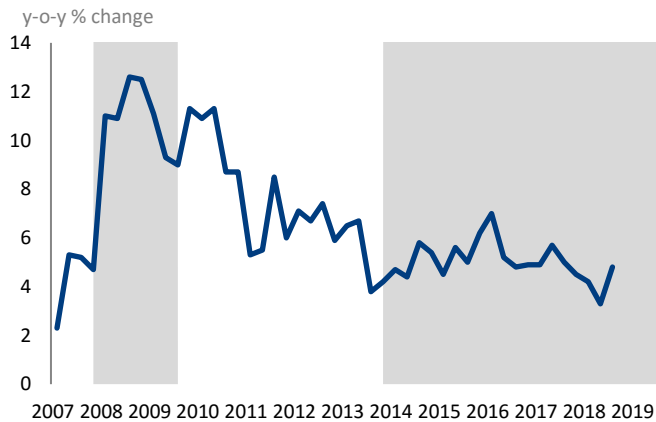
Source: Stats SA

Unemployment rate



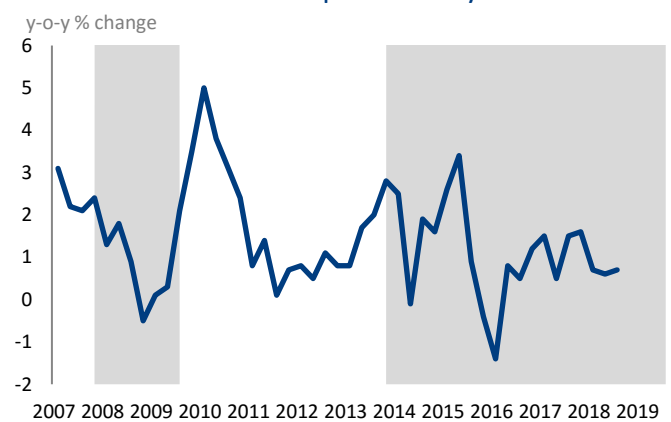
Source: Stats SA

Unit labour cost



Source: SARB

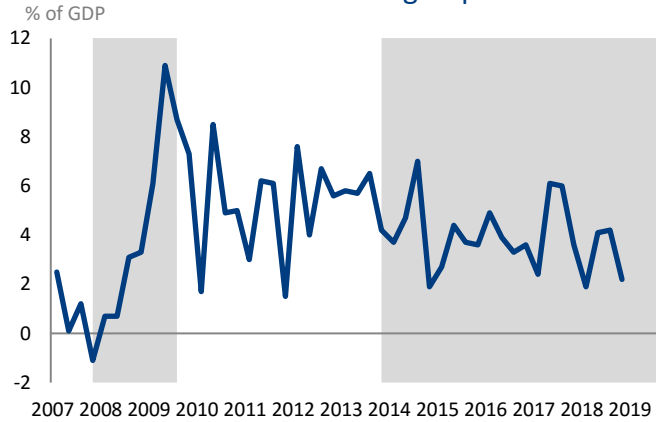
Labour productivity



Source: SARB

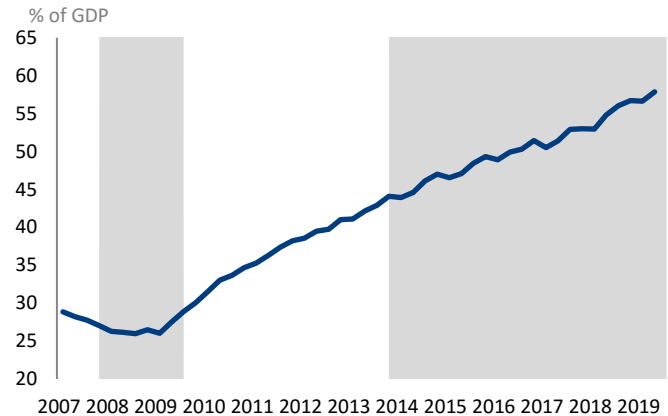
Government

Public sector borrowing requirement



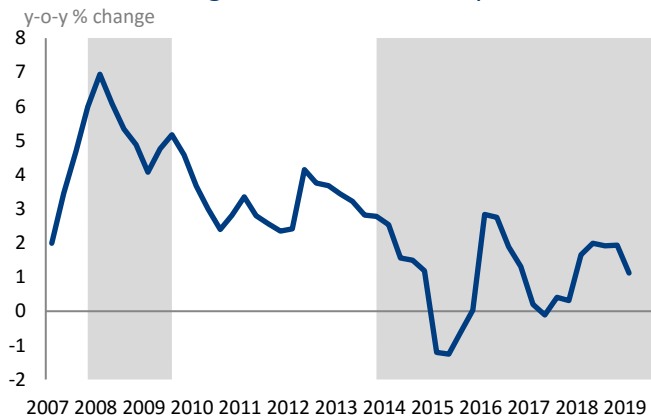
Source: SARB

Gross government debt



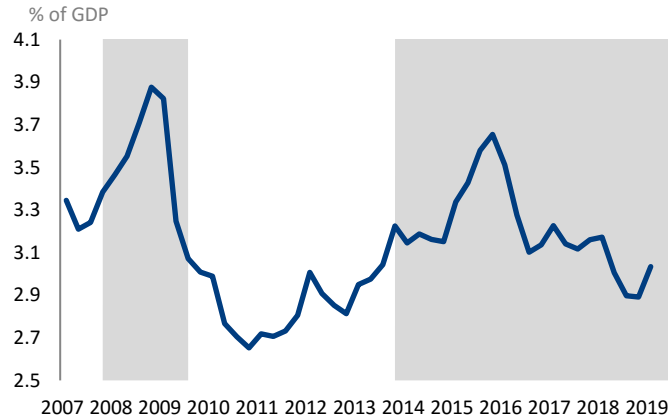
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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