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

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Highlights

Eskom bailout credit negative

On 23 July, Finance Minister Tito Mboweni announced that Eskom will receive an additional R59 billion (bn) bailout. This will be spread over the 2019/20 (R26bn) and 2020/21 (R33bn) fiscal years. Combined with the R23bn per annum committed to Eskom in the February budget, the latest bailout means Eskom will receive R105bn in government support through 2020/21. Credit rating agencies Moody's and Fitch saw the news as negative for SA's sovereign credit rating outlook. While Moody's did not pronounce on the actual rating or outlook, Fitch revised the outlook on its BB+ foreign and local currency rating to negative from stable. This is the first step towards Fitch cutting SA's rating a further notch into sub-investment territory.

MPC cuts repo rate

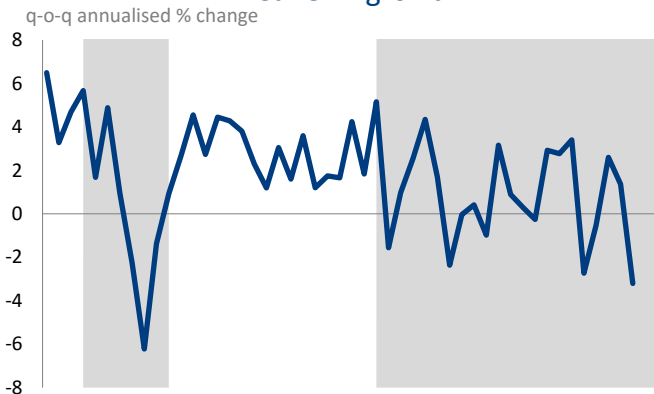
On 18 July, as widely expected, the Monetary Policy Committee of the SARB decided to reduce the repo policy interest rate by 25bps to 6.50% (the prime rate declined to 10.00%). The decision was unanimous and reverses the 25bps rate hike in November 2018. It is also the first policy rate cut since March 2018. The justification to ease was based on global growth concerns, the continued deterioration in SA's own growth outlook, low inflation and a further decline in inflation expectations. Clients can find a more detailed comment [here](#).

Mining output expands, manufacturing production falls

Mining production expanded by 3% m-o-m (seasonally adjusted; sa) in May, a sharp recovery from the 1.8% contraction recorded in April. The largest positive contributions came from nickel (+10.4% m-o-m), diamonds (+9.1%) manganese ore (+9%), iron ore (8.2%) and platinum group metals (+6.6%). Despite the solid monthly expansion, total mining production fell by 1.5% y-o-y in May. **Manufacturing** output contracted by 1.5% m-o-m in May, resulting in annual growth slowing to 1% y-o-y, down from the 4.3% annual expansion recorded in April. Monthly output contracted in seven of the nine major subsectors. The biggest negative contributors were furniture and other manufacturing (-7.5% m-o-m) and electrical machinery (-6%). Further, on top of the volume contraction, monthly manufacturing sales were down by 3% (sa), implying that prices received by manufacturers were down in May.

Core indicators

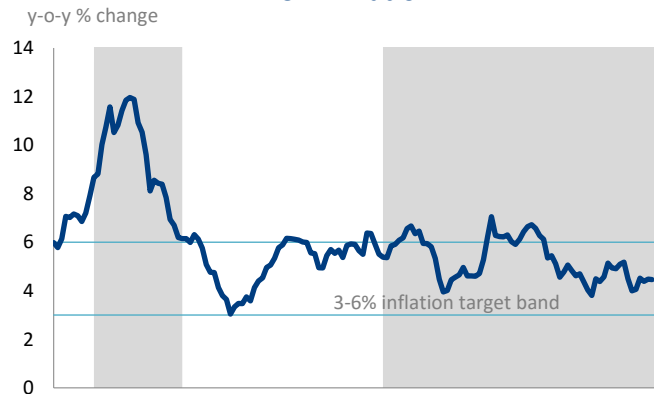
Real GDP growth



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

Source: Stats SA

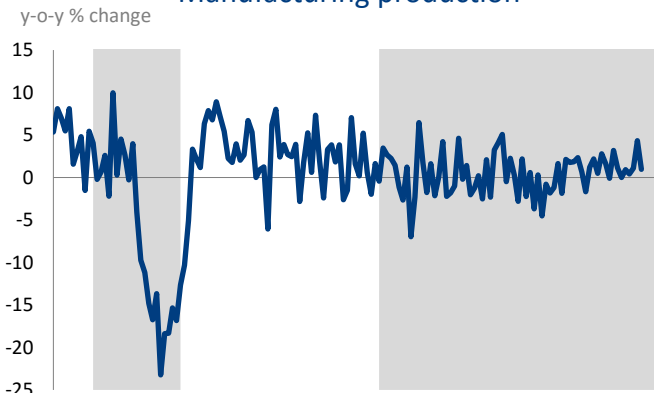
CPI inflation



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

Source: Stats SA

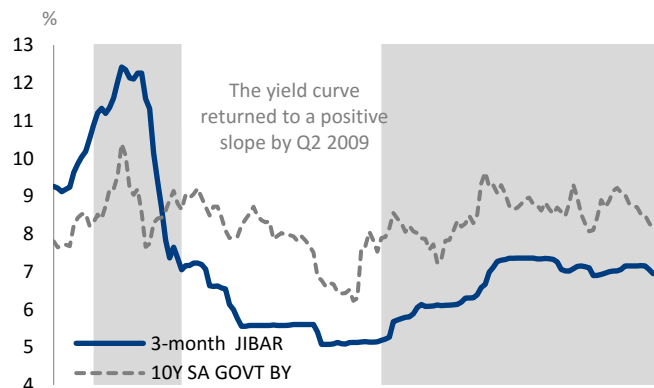
Manufacturing production



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

Source: Stats SA

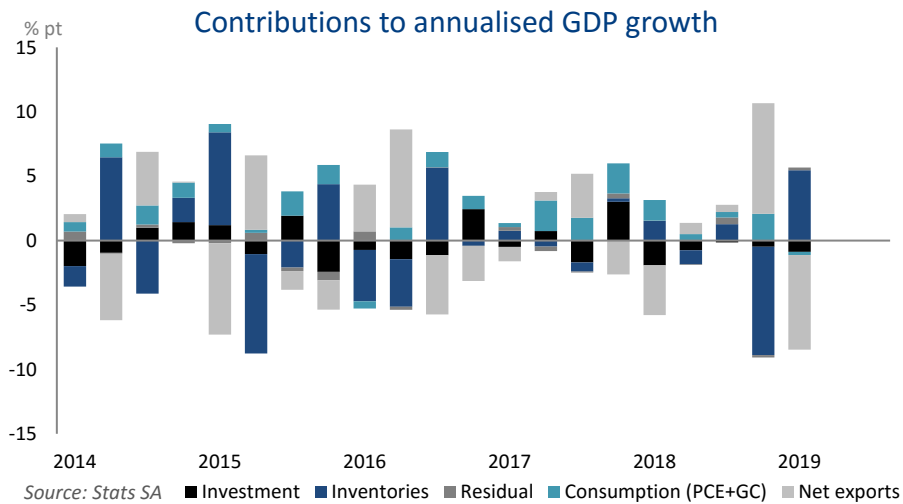
Interest rates



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

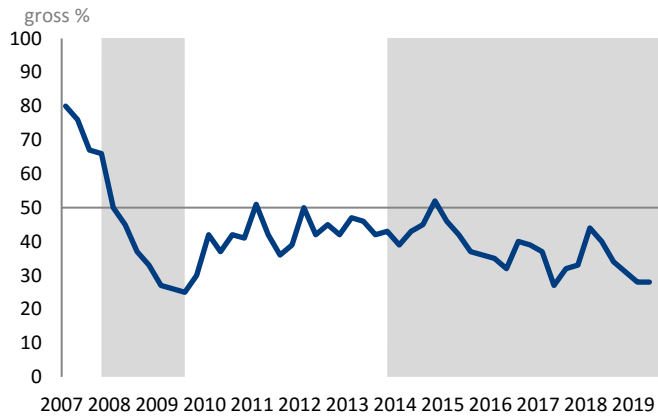
Source: DataStream

GDP growth



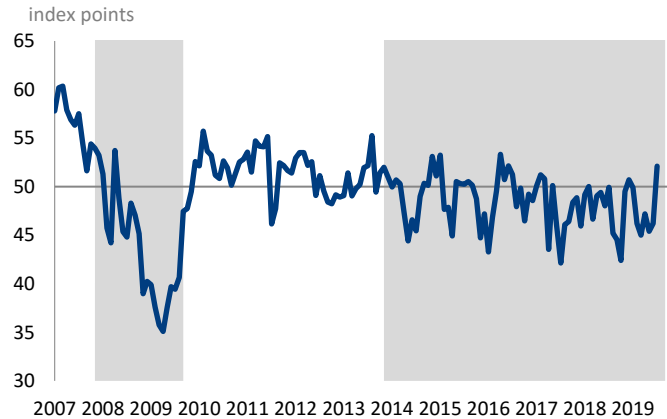
Business environment

RMB/BER Business Confidence Index



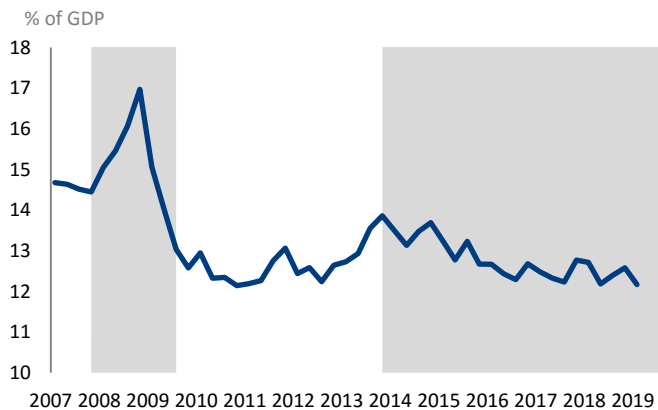
Source: BER

Absa Purchasing Managers Index



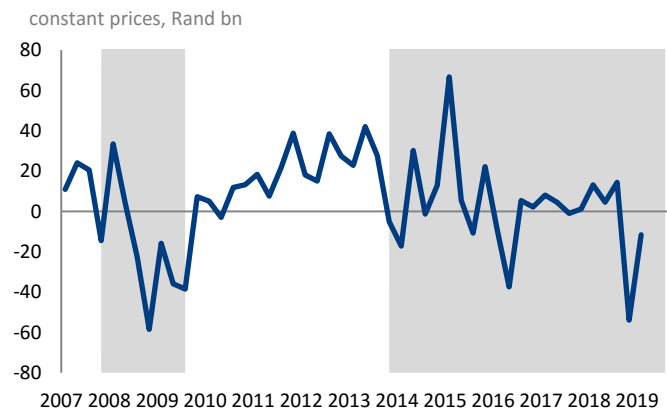
Source: BER

Private fixed investment



Source: SARB, Stats SA

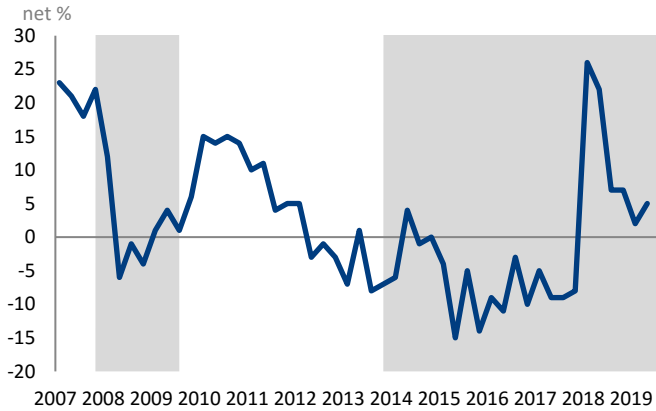
Changes in inventories



Source: SARB, Stats SA

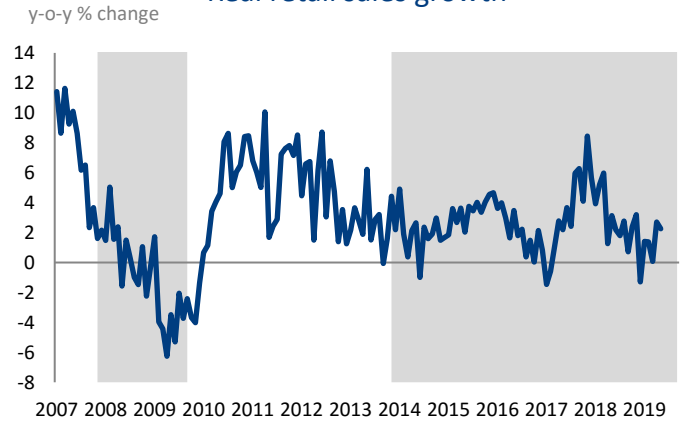
Household consumption

FNB/BER Consumer Confidence Index



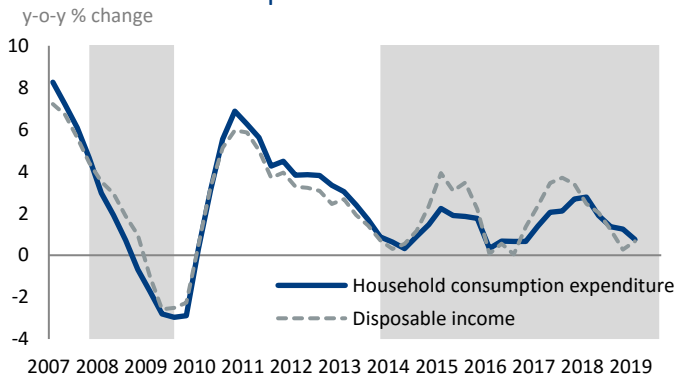
Source: BER

Real retail sales growth



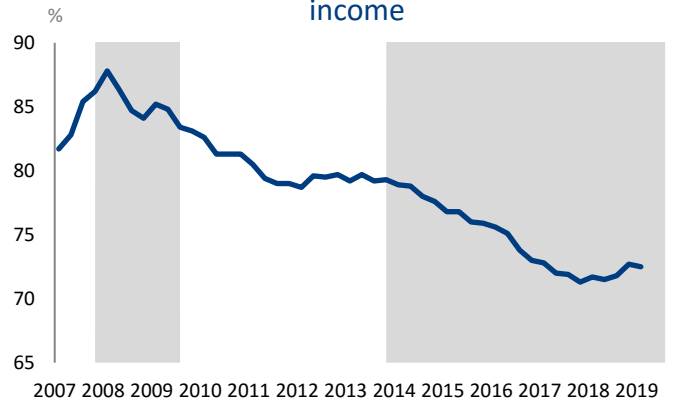
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

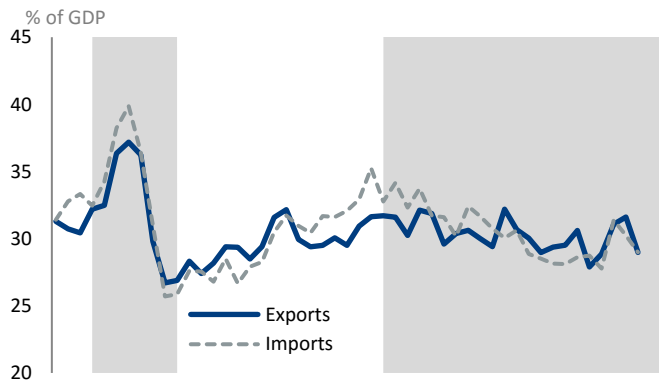
Ratio of household debt to disposable income



Source: SARB

International trade

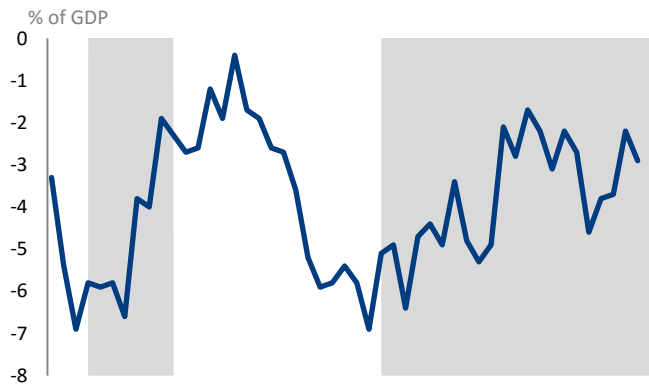
Imports and exports



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

Source: SARB, Stats SA

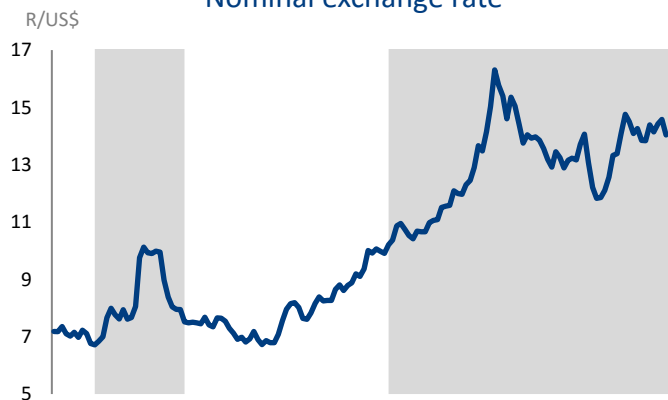
Current account balance



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

Source: SARB

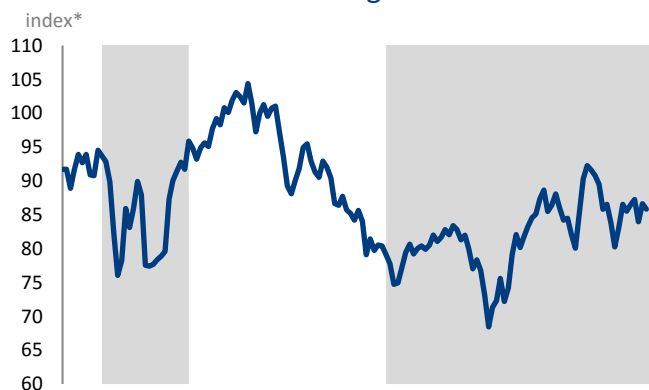
Nominal exchange rate



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

Source: DataStream

Real effective exchange rate of the Rand

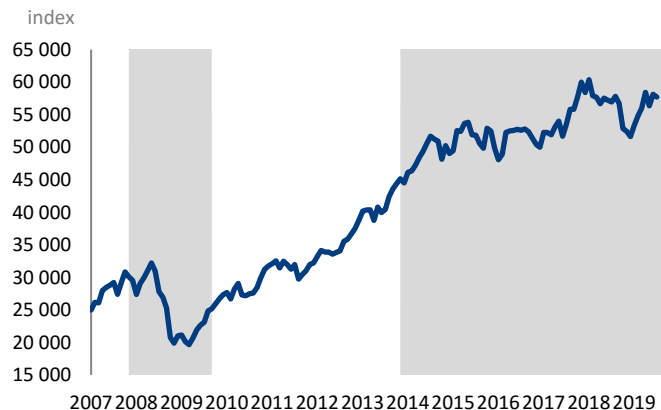


2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Source: SARB *higher values denote a stronger rand

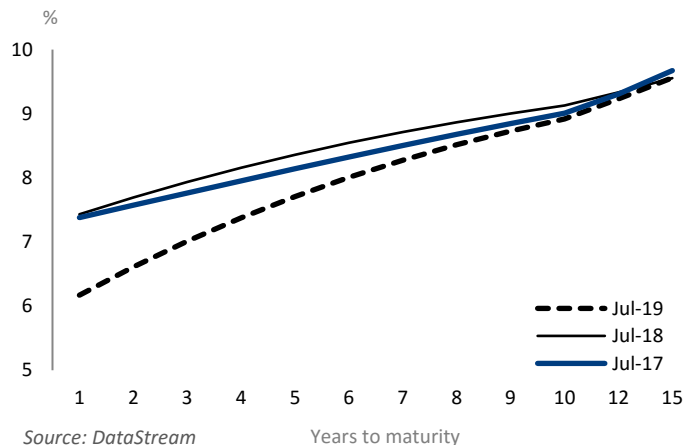
Financial markets

JSE all share index



Source: DataStream

Yield curve comparisons



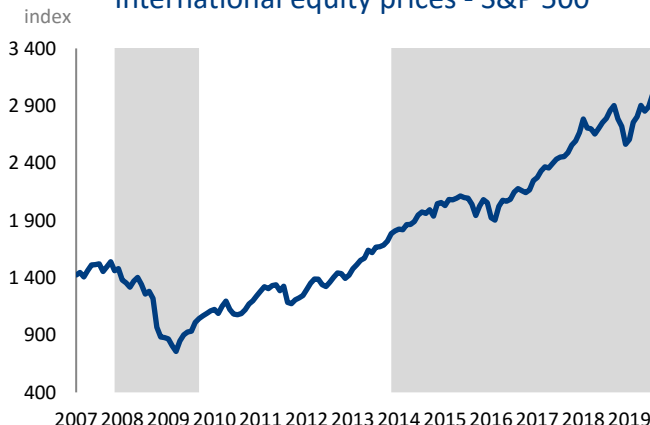
Source: DataStream

Economist all commodities index



Source: Economist

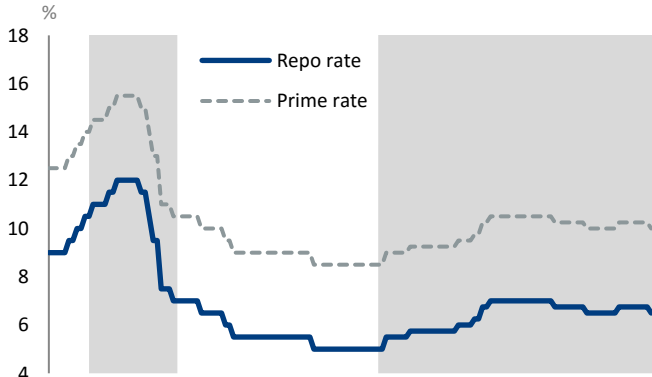
International equity prices - S&P 500



Source: DataStream

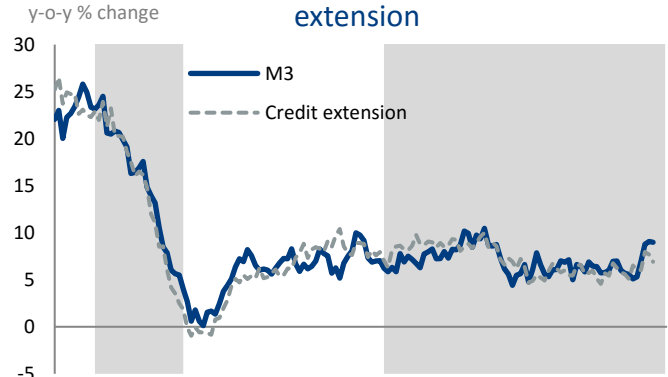
Money and prices

Repo and prime interest rate



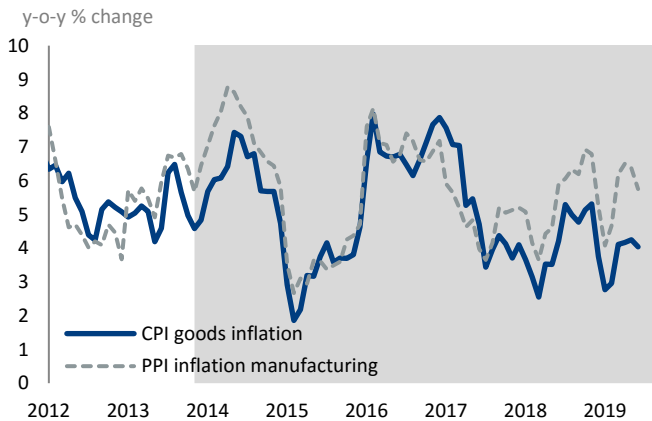
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Source: SARB

M3 monetary aggregates and credit extension



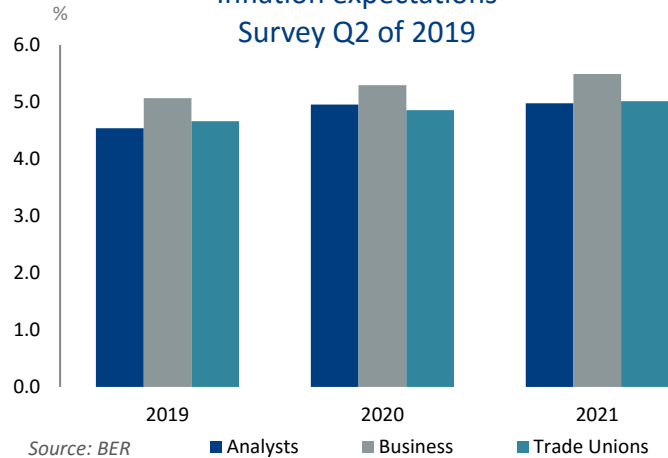
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Source: SARB

Consumer and producer prices



Source: Stats SA

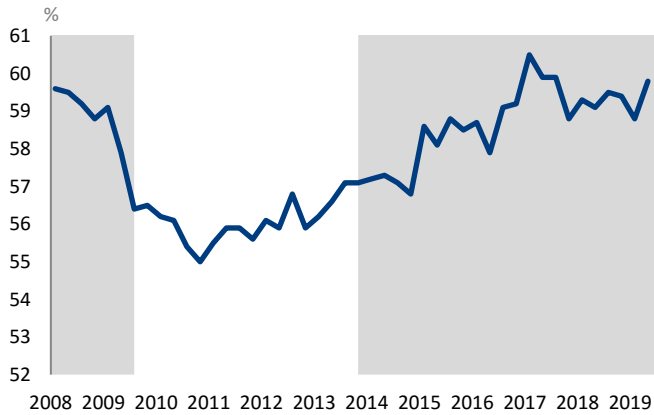
Inflation expectations Survey Q2 of 2019



Source: BER

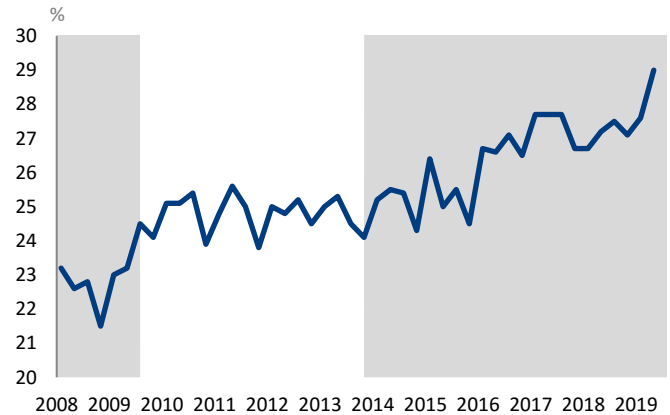
Labour

Labour force participation



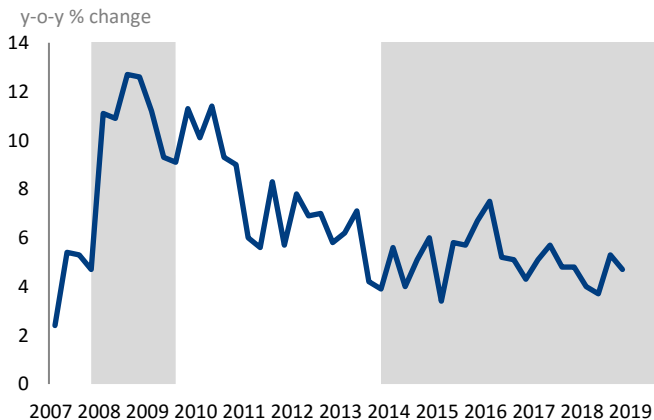
Source: Stats SA

Unemployment rate



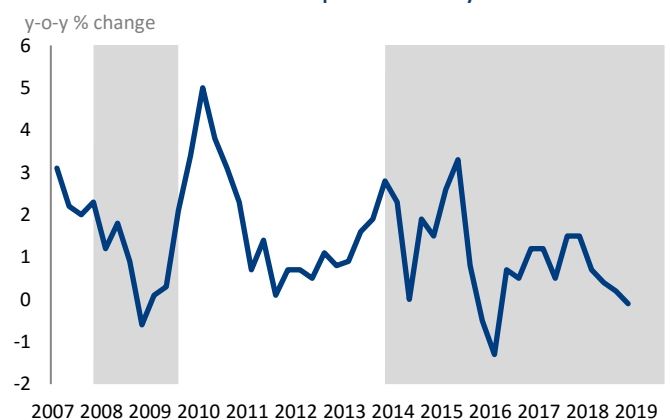
Source: Stats SA

Unit labour cost



Source: SARB

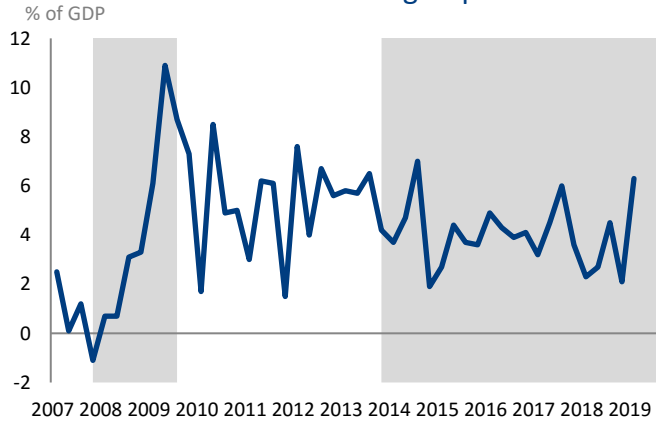
Labour productivity



Source: SARB

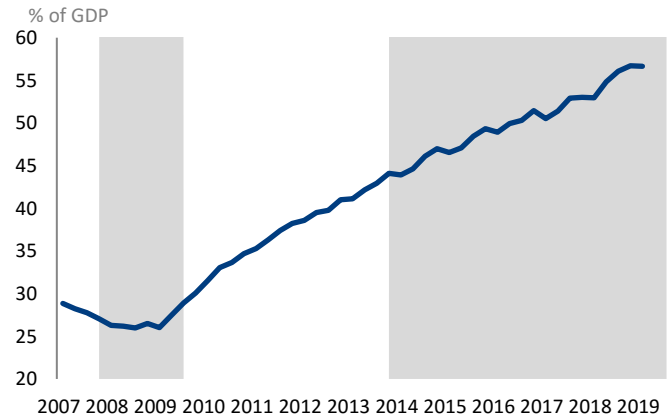
Government

Public sector borrowing requirement



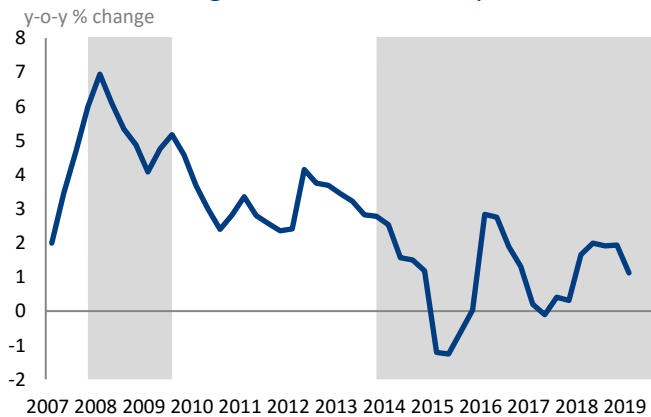
Source: SARB

Gross government debt



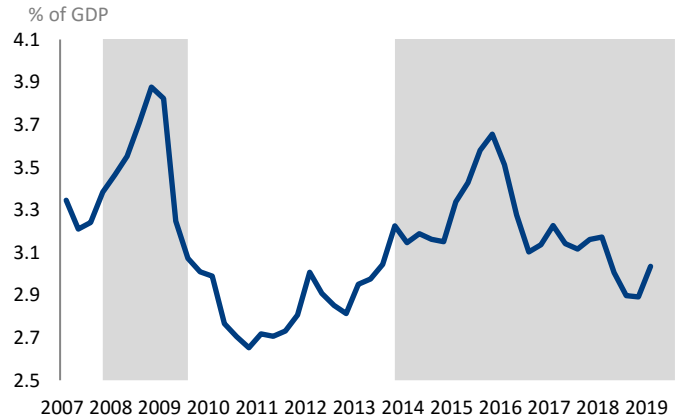
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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