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

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Highlights

GDP growth recovers in Q2

As expected, GDP recovered significantly in the second quarter, from a severe slump in the first. On balance, the 3.1% (saa; seasonally adjusted and annualised) contraction in the first quarter has now been neutralised by a similar 3.1% expansion in the second, effectively restoring the real GDP level to what it was at the end of 2018. Seven of the ten main economic sectors posted growth. The mining sector recovered by 14% from a contraction in the first quarter, while the business and financial services sector expanded by 4.1%. From a demand side perspective, growth was also broad based, though mostly the result of a significant recovery in inventory investment, which was balanced out by a contraction in net exports. GDP expanded by an unadjusted 0.9% y-o-y in Q2, up from 0% in the first quarter.

Inflation surprises on the downside

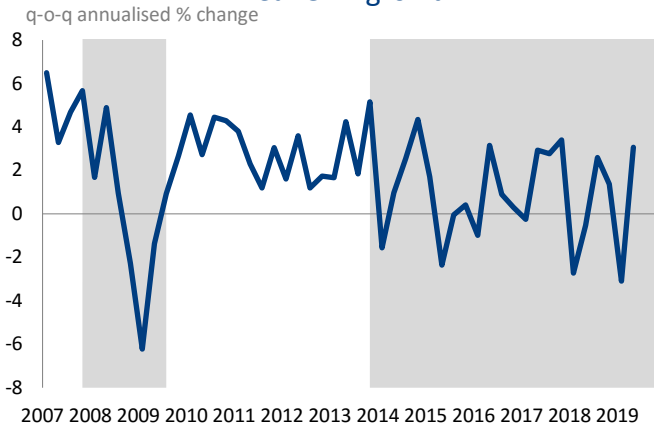
Headline consumer inflation, as measured by the Consumer Price Index (CPI), eased to 4.0% y-o-y in July, from 4.5% in June. This was below the market consensus of 4.3% and marked the lowest inflation rate since January. On a monthly basis, CPI increased by 0.4%. The annual increase in tariffs by most municipalities in July was the main driver behind the rise in measured inflation. Housing and utilities increased by 5.1% y-o-y, adding 1.2 percentage points (% pts) to the headline number. In contrast, lower fuel prices dragged transport inflation down to 3.0% y-o-y, from 5.5% previously. An important factor explaining the benign CPI outcome was electricity prices, where fewer than expected municipalities pushed through electricity tariff hikes in July than in the same month last year. Core inflation, which excludes food and energy costs, ticked down to 4.2% y-o-y from 4.3% in June.

Job growth disappoints

The unemployment rate increased to 29% in 2019Q2. Worsening unemployment in the quarter was due to a combination of a rising labour force and a drop in the number of discouraged work-seekers. This was against the number of formal sector jobs created remaining muted. In fact, the formal sector shed 49 000 jobs in 2019Q2. From a sectoral perspective, four of the ten sectors registered a quarterly fall in employment. The declines were led by private households. In contrast, employment in the trade sector was up by 84 000.

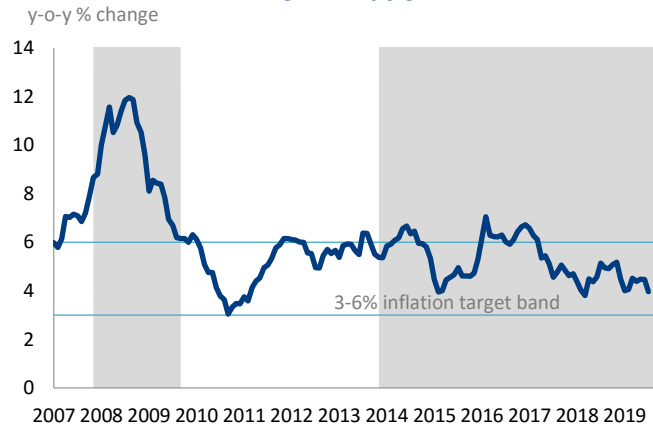
Core indicators

Real GDP growth



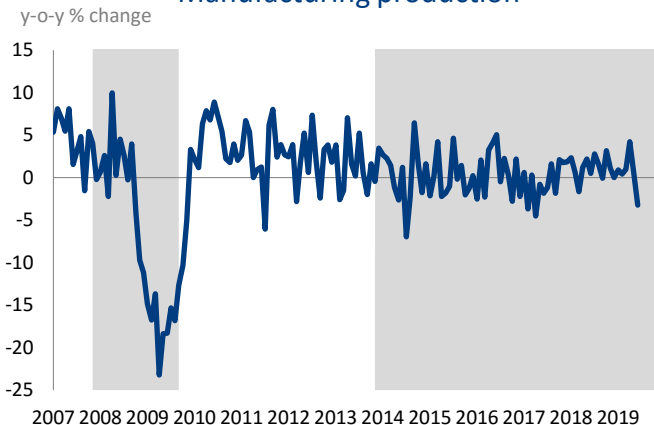
Source: Stats SA

CPI inflation



Source: Stats SA

Manufacturing production



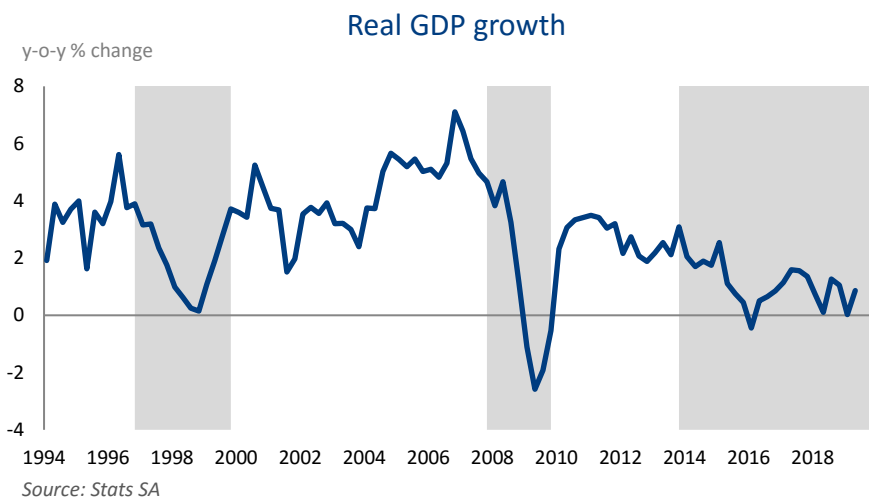
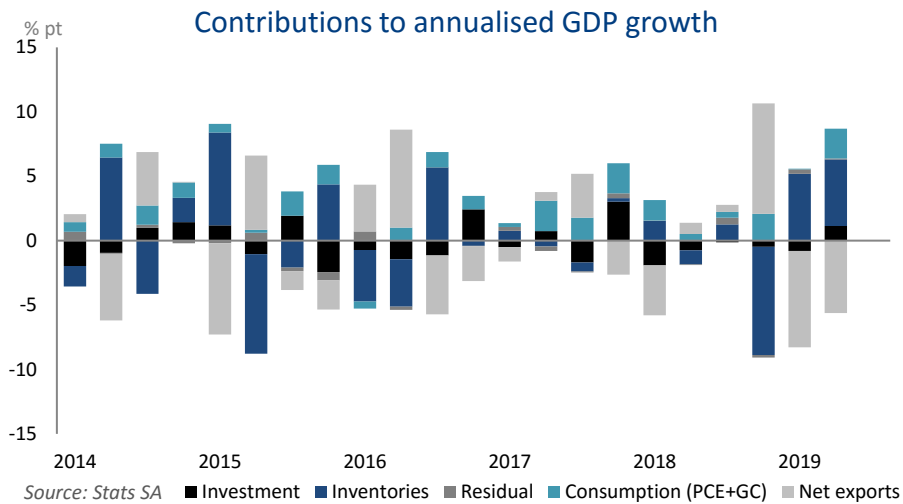
Source: Stats SA

Interest rates



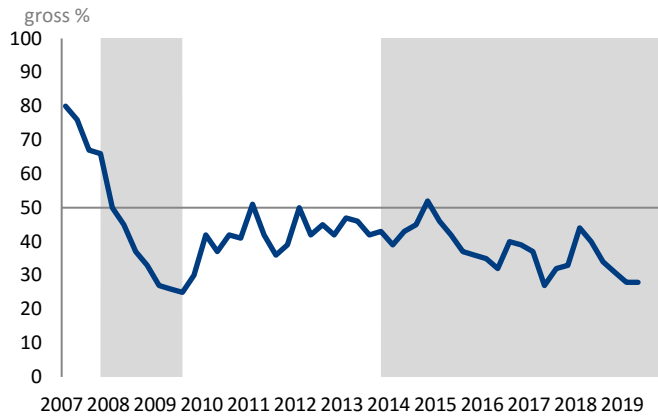
Source: DataStream

GDP growth



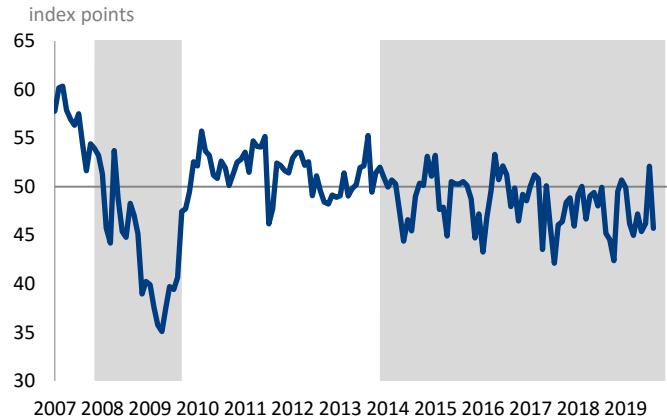
Business environment

RMB/BER Business Confidence Index



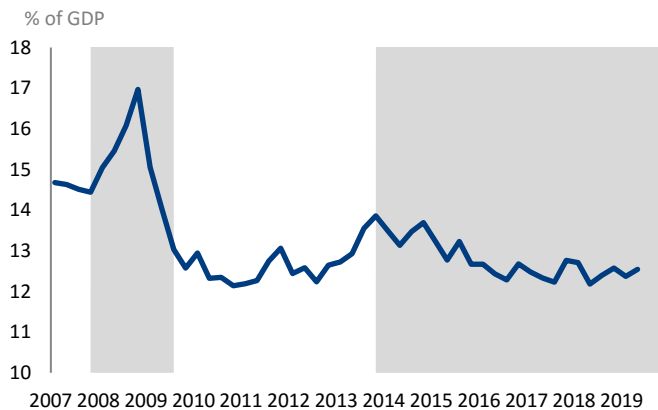
Source: BER

Absa Purchasing Managers Index



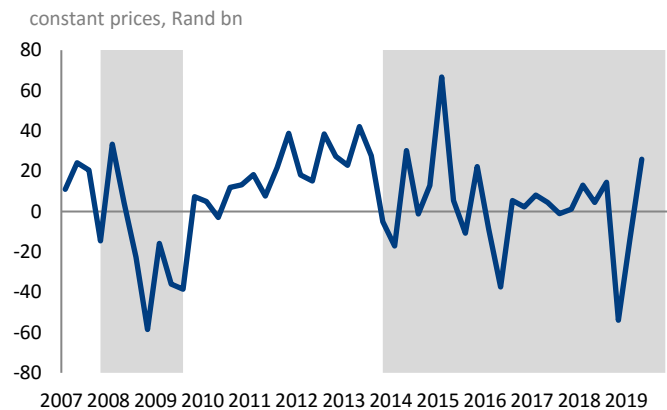
Source: BER

Private fixed investment



Source: SARB, Stats SA

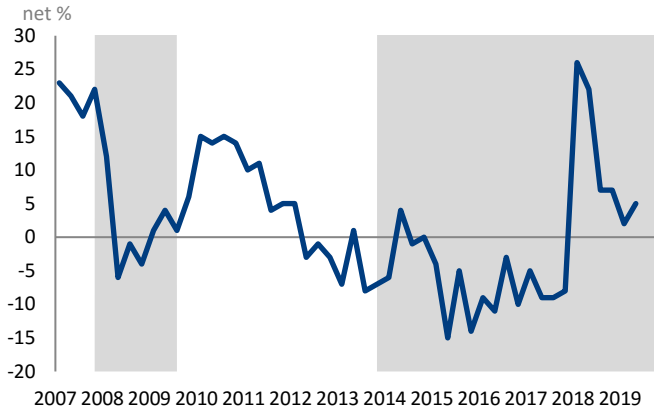
Changes in inventories



Source: SARB, Stats SA

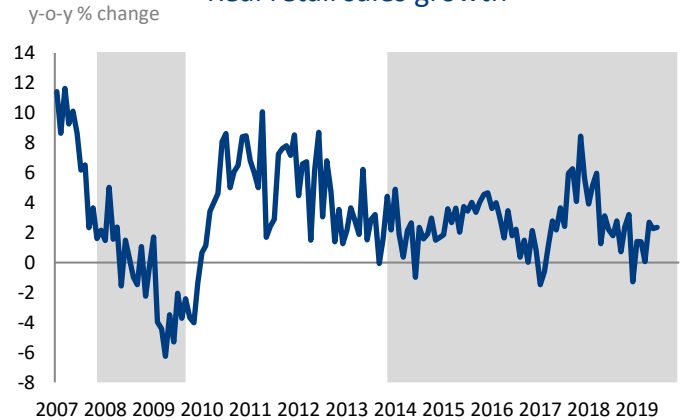
Household consumption

FNB/BER Consumer Confidence Index



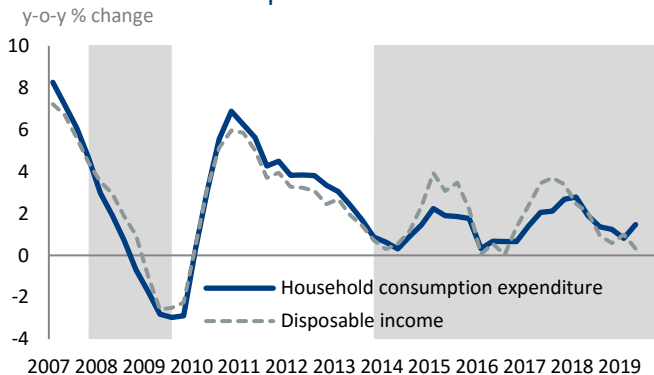
Source: BER

Real retail sales growth



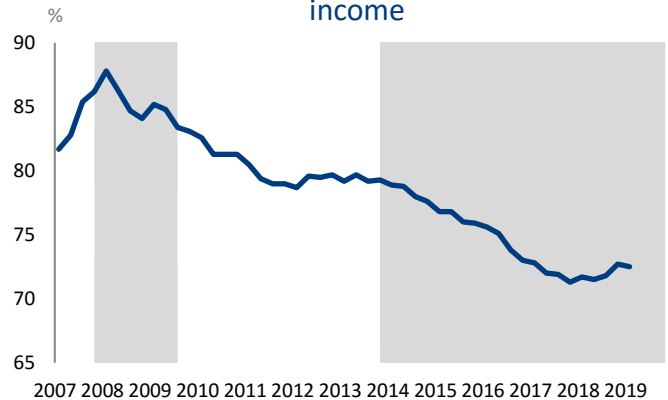
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

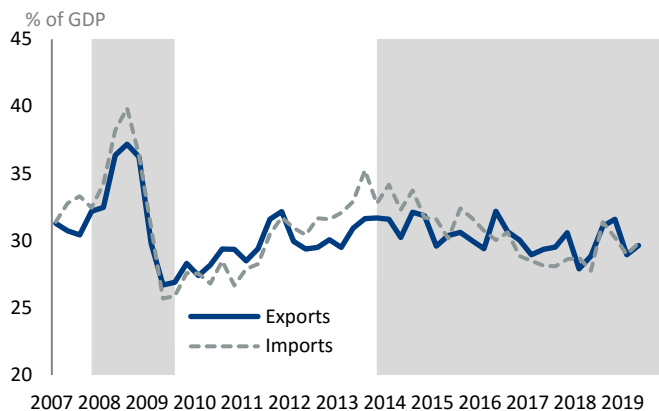
Ratio of household debt to disposable income



Source: SARB

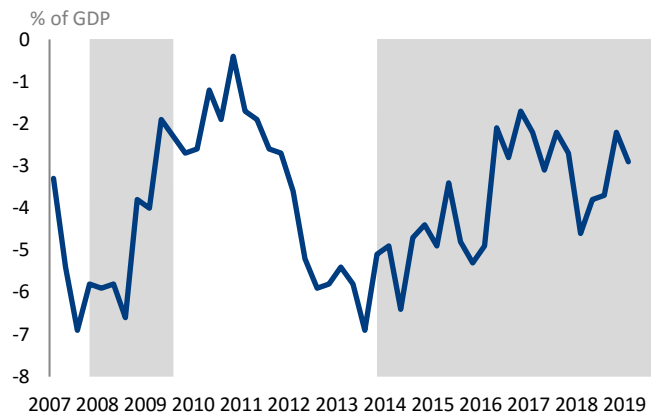
International trade

Imports and exports



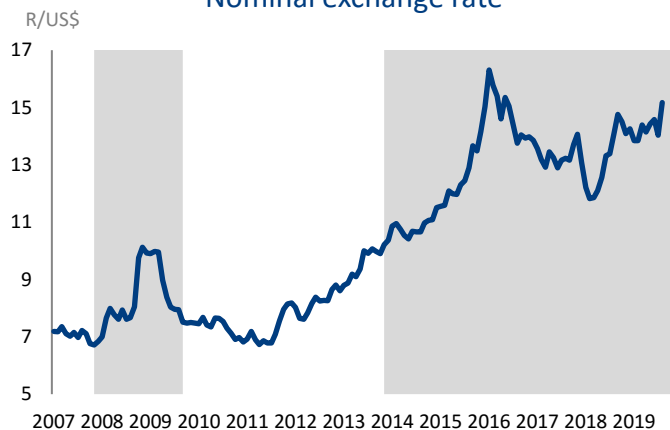
Source: SARB, Stats SA

Current account balance



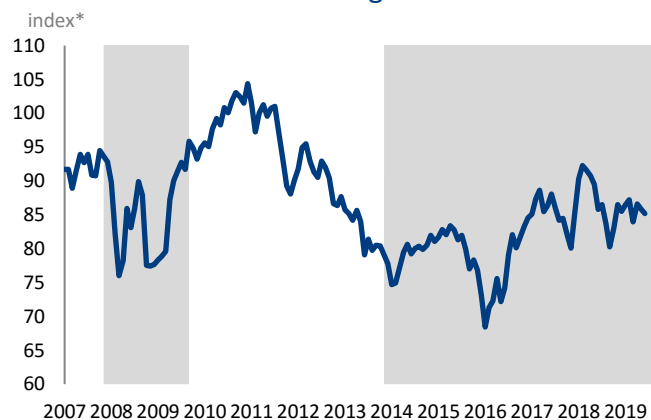
Source: SARB

Nominal exchange rate



Source: DataStream

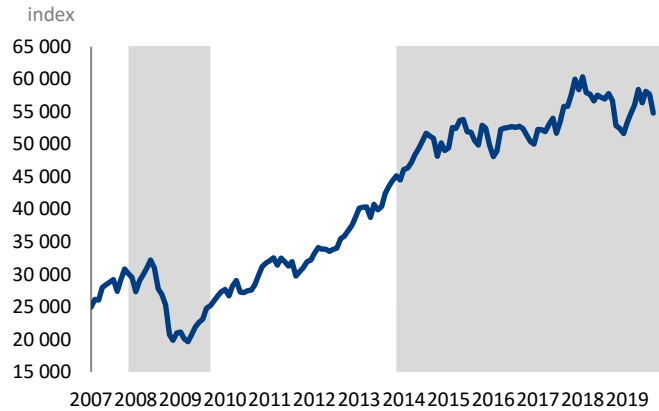
Real effective exchange rate of the Rand



Source: SARB *higher values denote a stronger rand

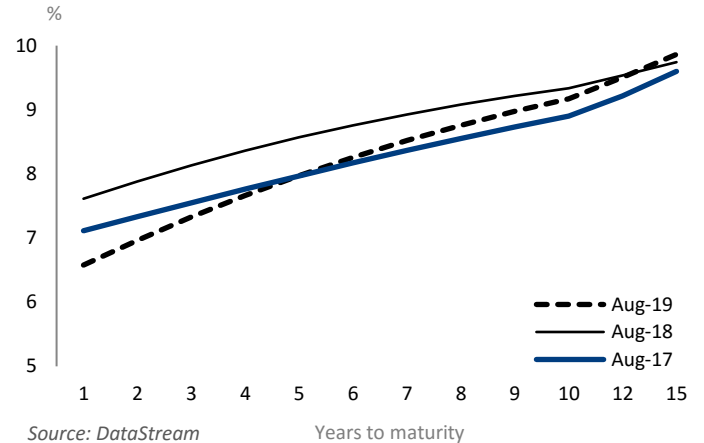
Financial markets

JSE all share index



Source: DataStream

Yield curve comparisons



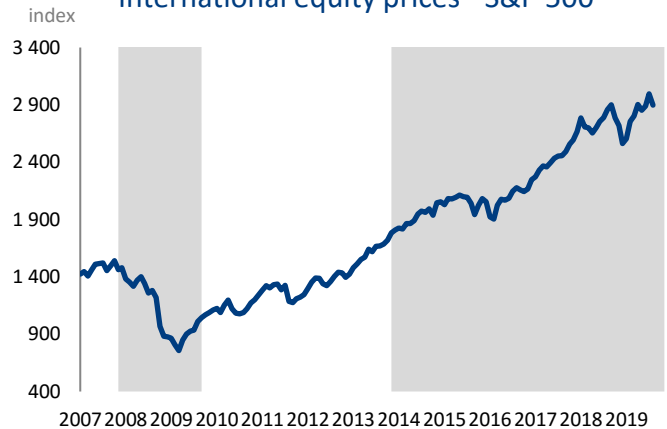
Source: DataStream

Economist all commodities index



Source: Economist

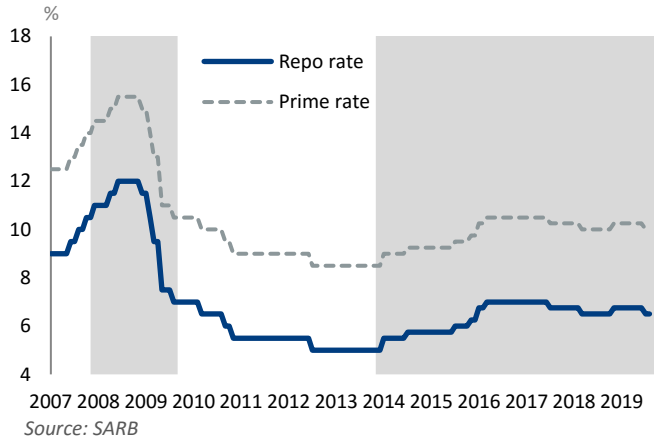
International equity prices - S&P 500



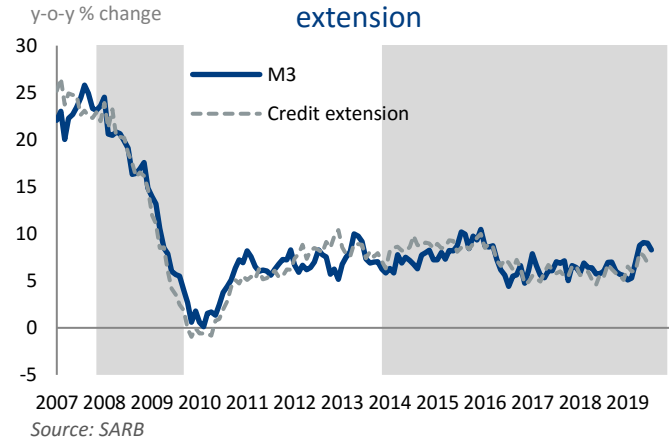
Source: DataStream

Money and prices

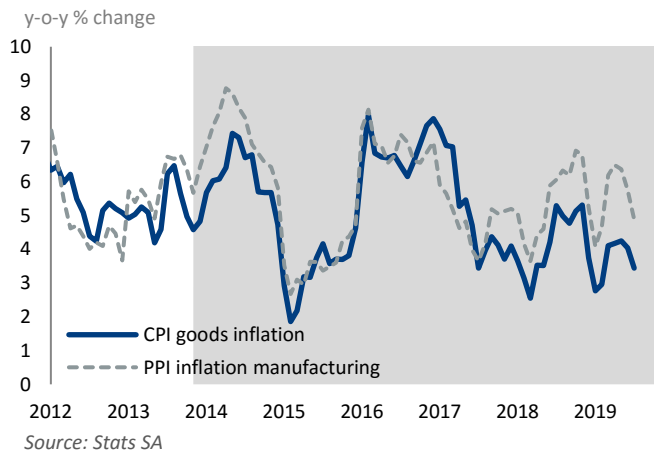
Repo and prime interest rate



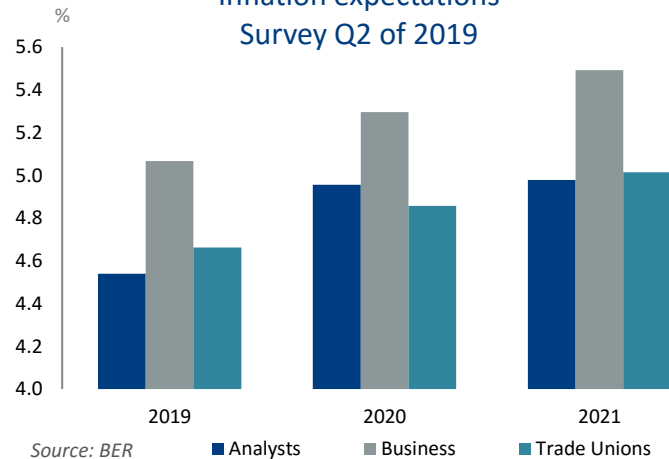
M3 monetary aggregates and credit extension



Consumer and producer prices

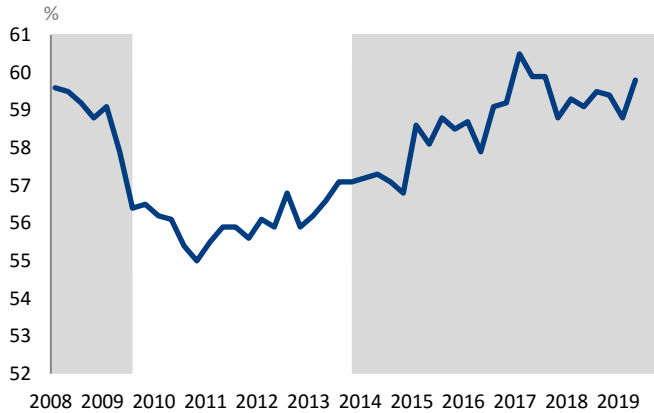


Inflation expectations Survey Q2 of 2019



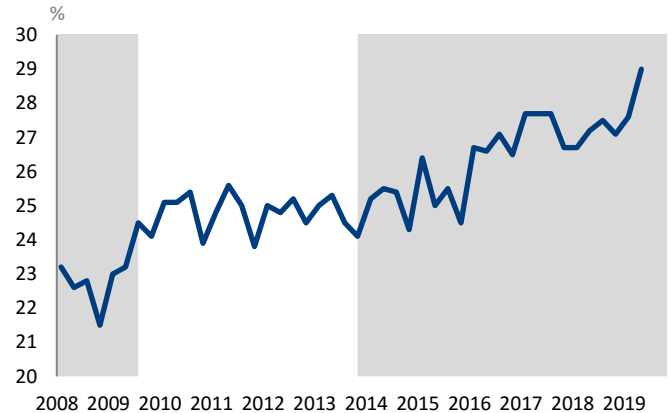
Labour

Labour force participation



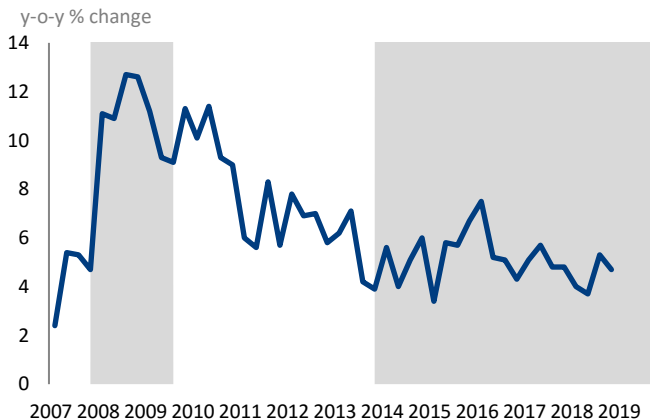
Source: Stats SA

Unemployment rate



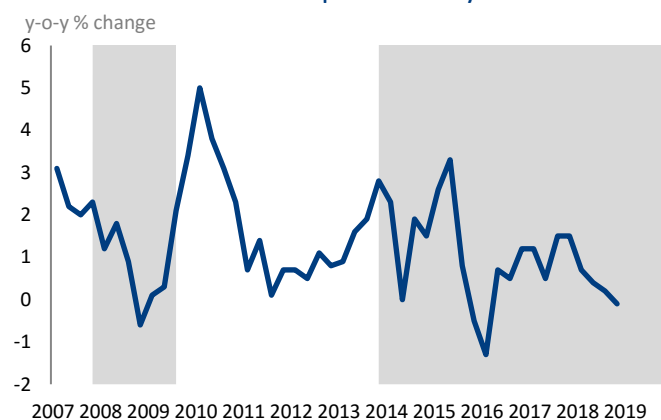
Source: Stats SA

Unit labour cost



Source: SARB

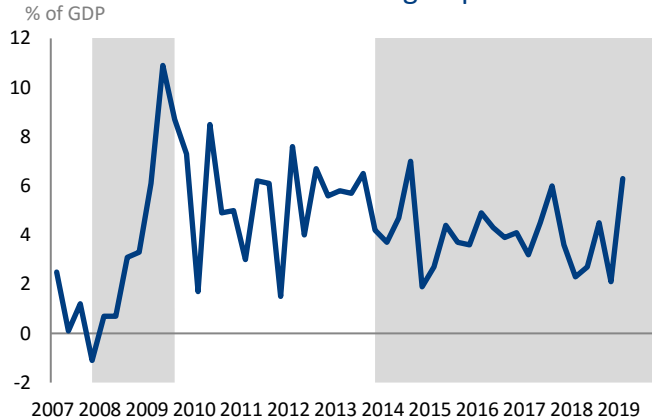
Labour productivity



Source: SARB

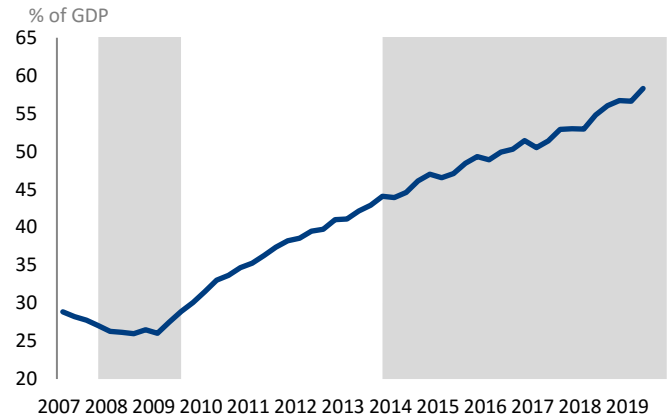
Government

Public sector borrowing requirement



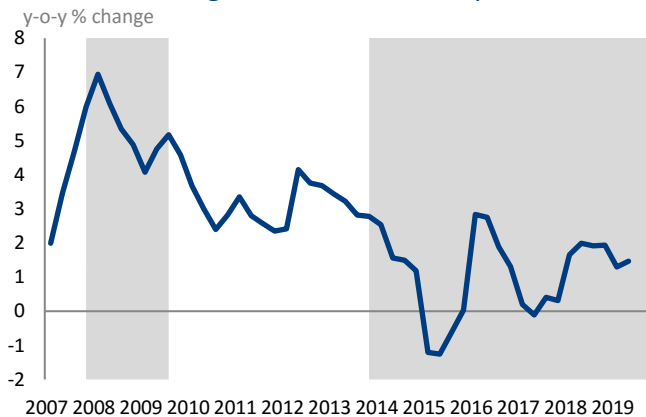
Source: SARB

Gross government debt



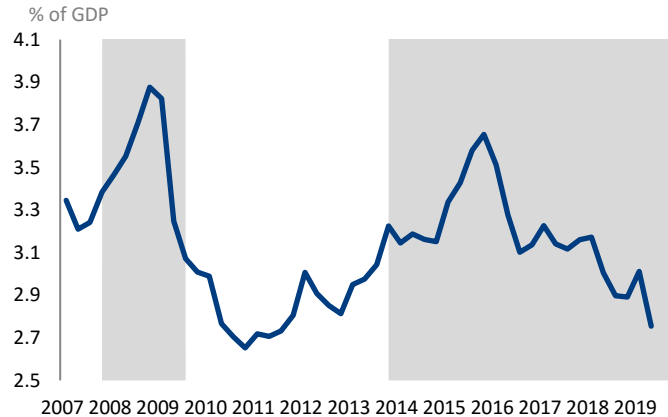
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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