

Contents:

Highlights

Core indicators

GDP growth

Business environment

Household consumption

International trade

Financial markets

Money and prices

Labour

Government

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

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Highlights

Consumer inflation edges higher in December

As expected, consumer price inflation ticked up to 4.0% y-o-y in December 2019, from an almost nine-year low of 3.6% in November. On a monthly basis, the consumer price index (CPI) increased by 0.3%. The main drivers behind the annual uptick were housing and utilities, which contributed 1.1 percentage points (% pts), followed by miscellaneous goods (0.8% pts), food and non-alcoholic beverages (0.7% pts) and transport (0.5% pts). According to Stats SA, average consumer inflation for the full year 2019 was 4.1% – this marked the slowest annual rate since 2005 and is firmly below the SA Reserve Bank’s midpoint inflation target of 4.5%. Looking forward, inflation is expected to remain muted in the short term.

SARB surprises with unanimous rate cut decision

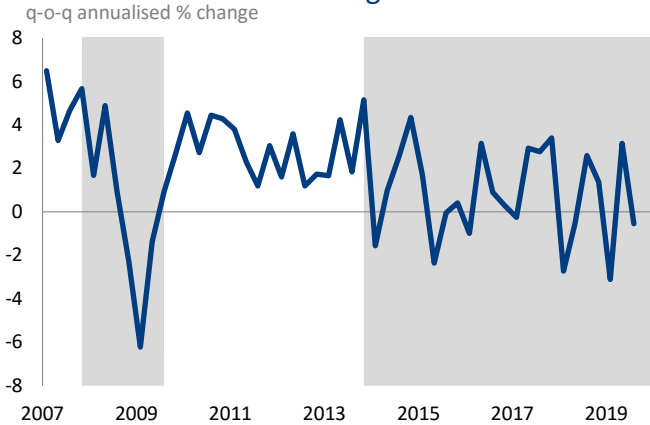
On 16 January the Monetary Policy Committee (MPC) of the SA Reserve Bank reduced the repo policy interest rate by 25 basis points (bps) to 6.25%. The prime rate declined to 9.75%. In terms of the macro forecast, the key driver of the interest rate reduction was a significant downward revision to the SARB’s inflation forecast for 2020 (to 4.7% y-o-y, from 5.1% before). Furthermore, the MPC sees the inflation risks to be balanced. The GDP growth outlook was also revised lower, although at 1.2% for 2020 it remains more positive than the BER’s view.

Mining and manufacturing output remain under pressure in November

Factory output declined by more than markets had expected in November 2019. Annual production fell by 3.6% - its sixth consecutive decline. Nine out of the ten sectors contracted with only food and beverages recording some growth (1.3%). On a seasonally adjusted basis, output fell by 1.5% m-o-m after a 2.5% increase in the previous month. **Mining** production fell by 3.1% y-o-y in November and declined by a hefty 3.5% m-o-m after two consecutive improvements. The annual decline was driven by a 13.5% drop in output by PGMs and falls in iron ore and coal production. This was to some extent countered by a 20.5% increase in other non-metallic minerals output. Despite the drop in mining output, mineral sales were up by 5.8% y-o-y on the back of higher commodity prices. The hard data for October and November suggests that GDP in Q4 remained under pressure, even before the bout of load shedding in December.

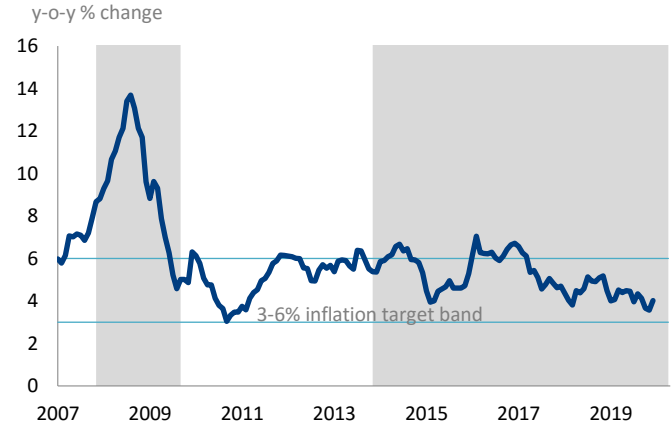
Core indicators

Real GDP growth



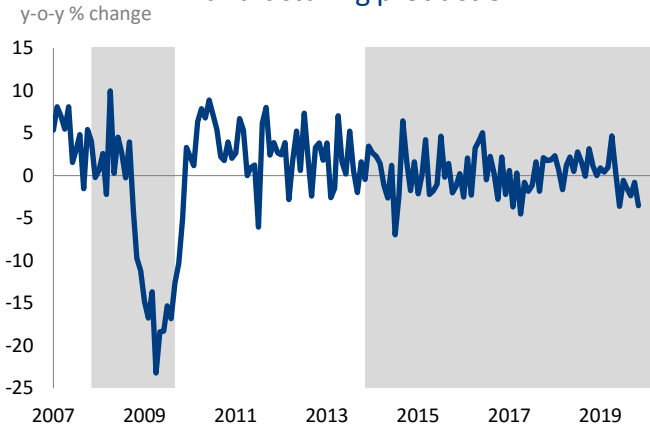
Source: Stats SA

CPI inflation



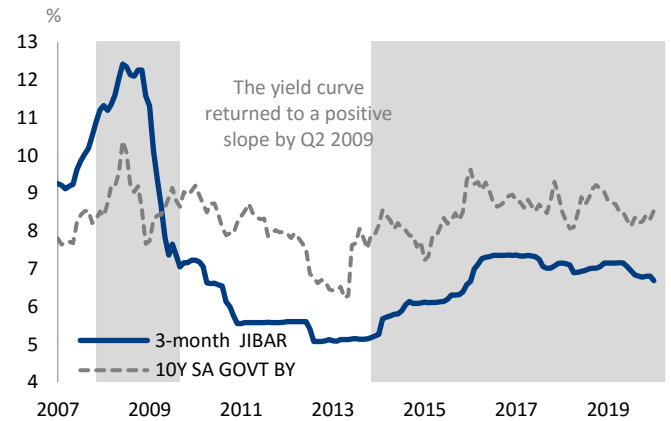
Source: Stats SA

Manufacturing production



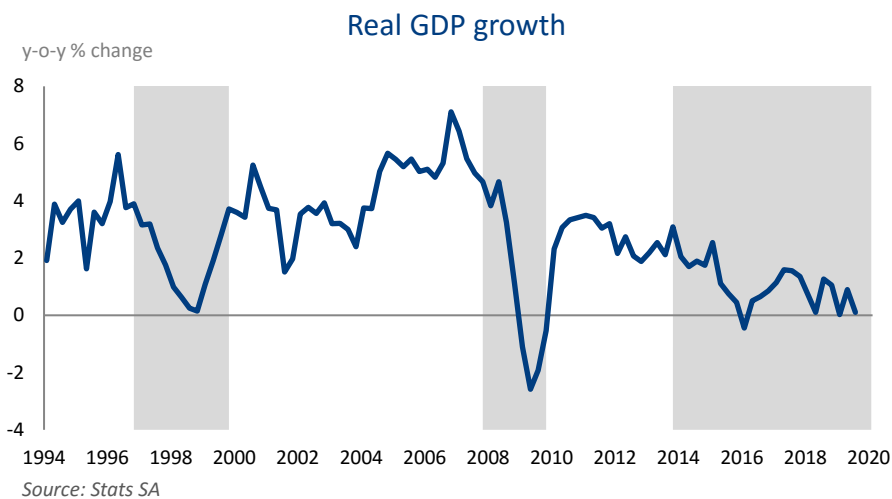
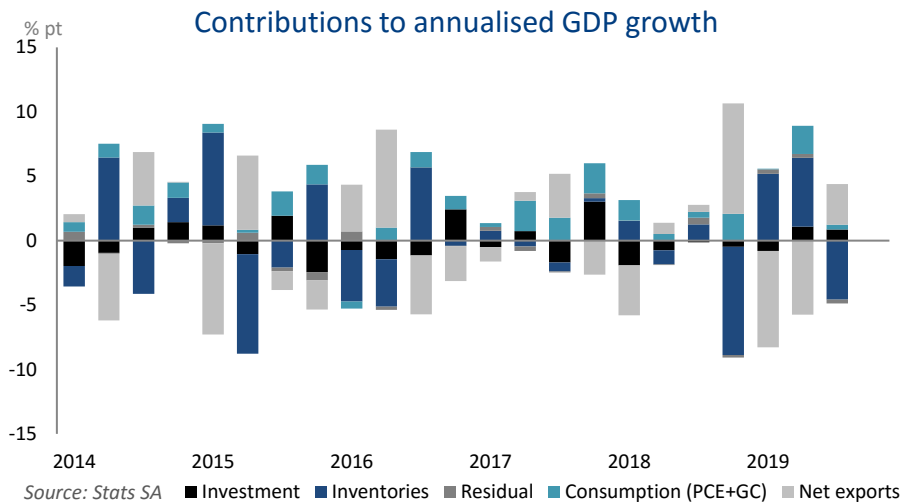
Source: Stats SA

Interest rates



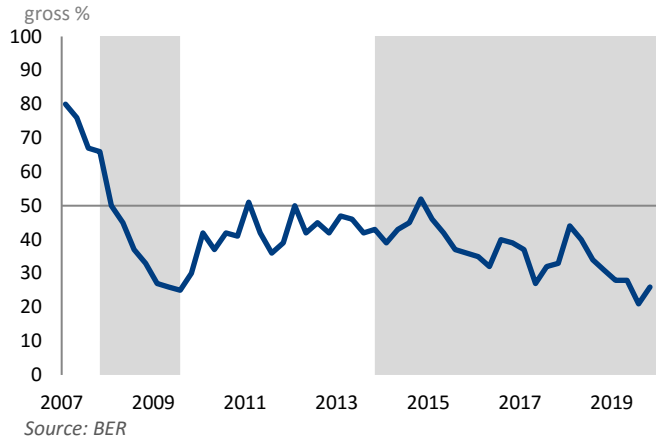
Source: Thomson Reuters

GDP growth

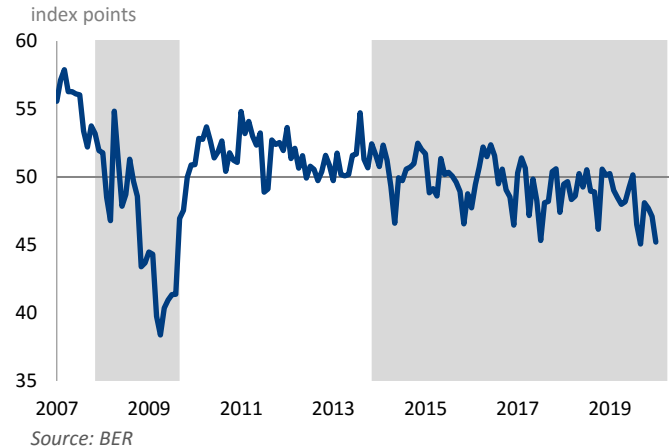


Business environment

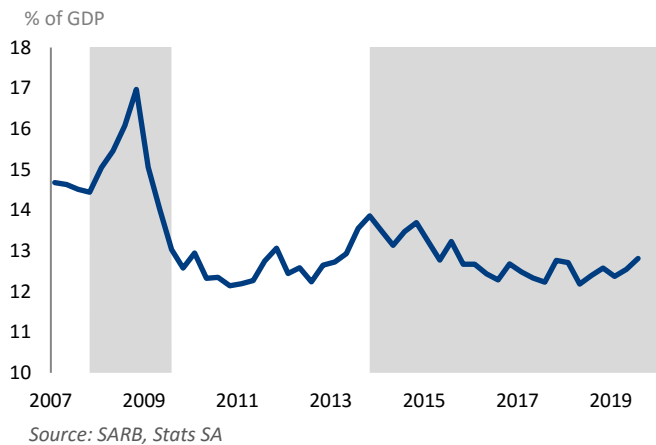
RMB/BER Business Confidence Index



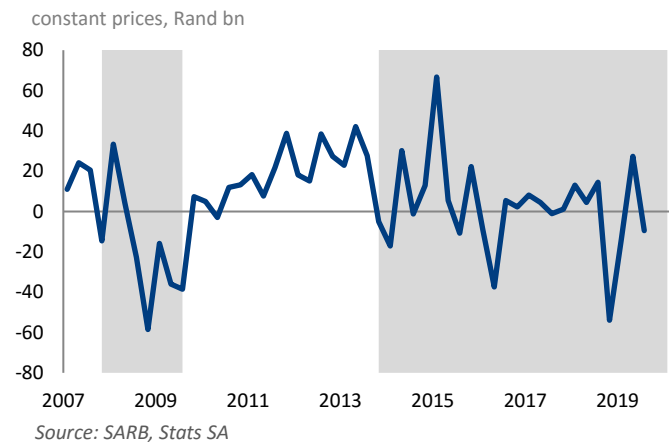
Absa Purchasing Managers Index



Private fixed investment

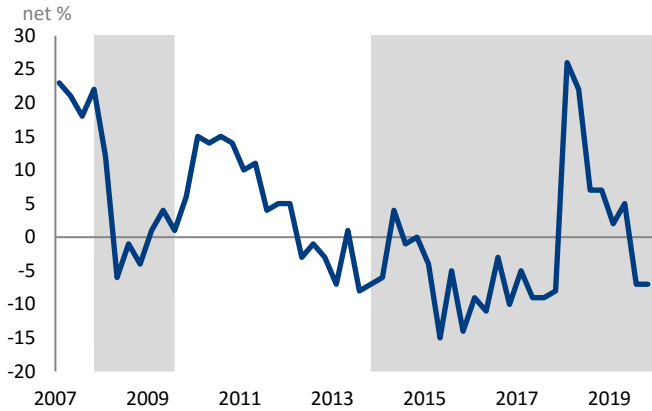


Changes in inventories



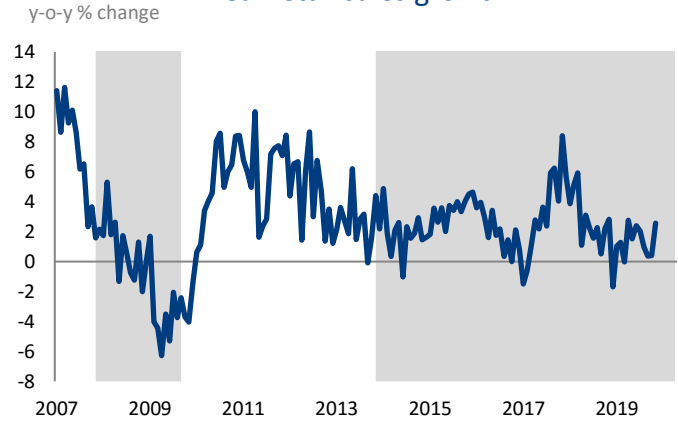
Household consumption

FNB/BER Consumer Confidence Index



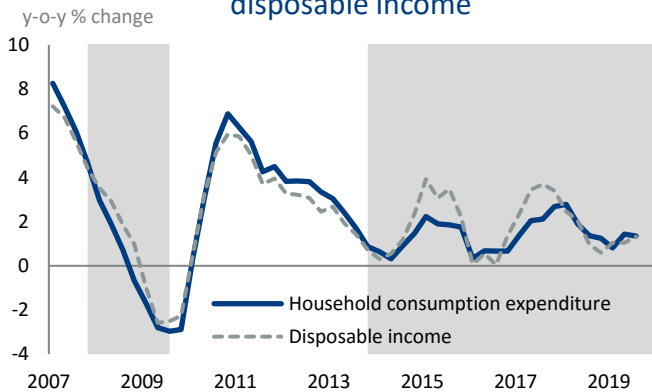
Source: BER

Real retail sales growth



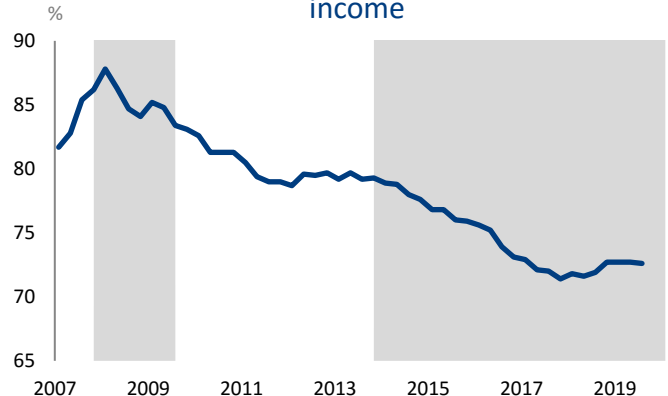
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

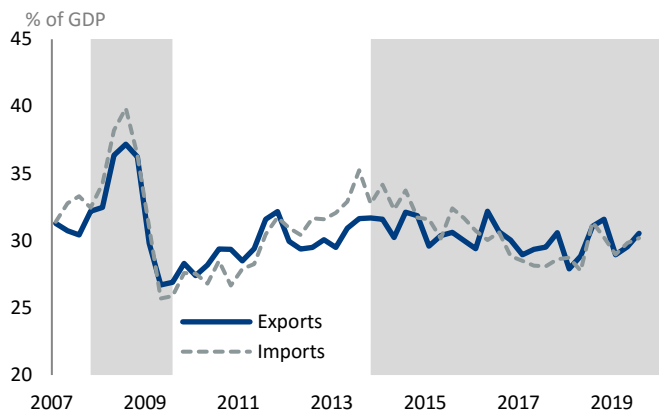
Ratio of household debt to disposable income



Source: SARB

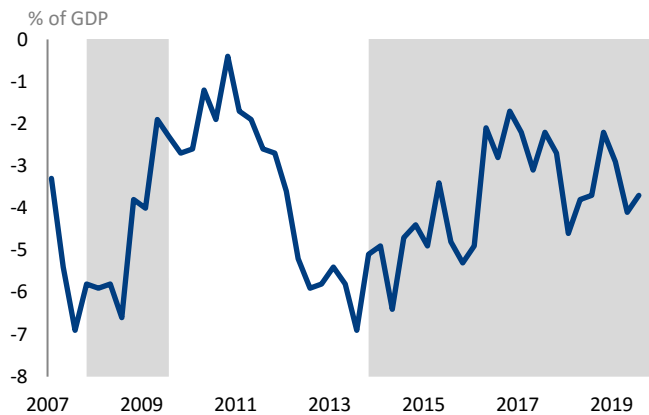
International trade

Imports and exports



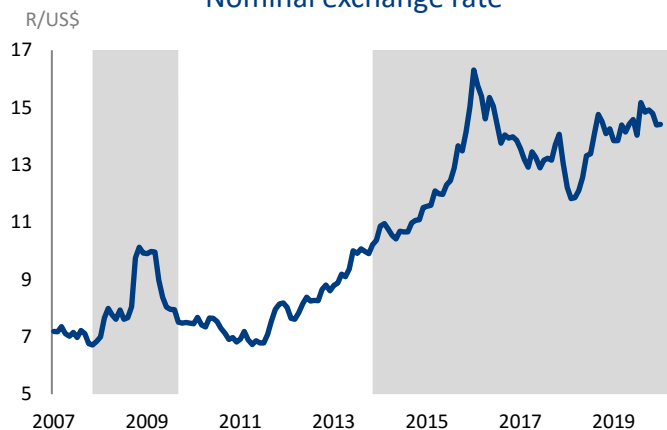
Source: SARB, Stats SA

Current account balance



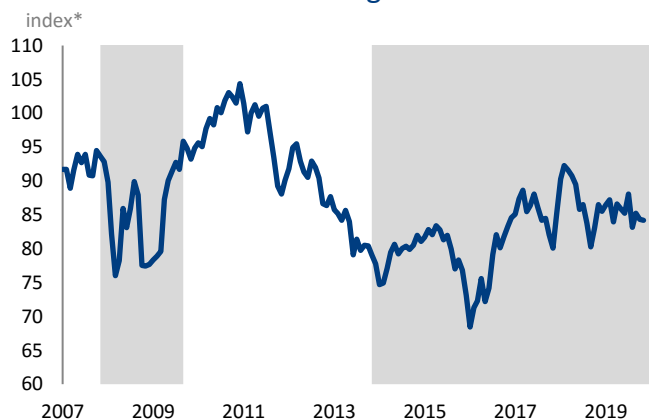
Source: SARB

Nominal exchange rate



Source: Thomson Reuters

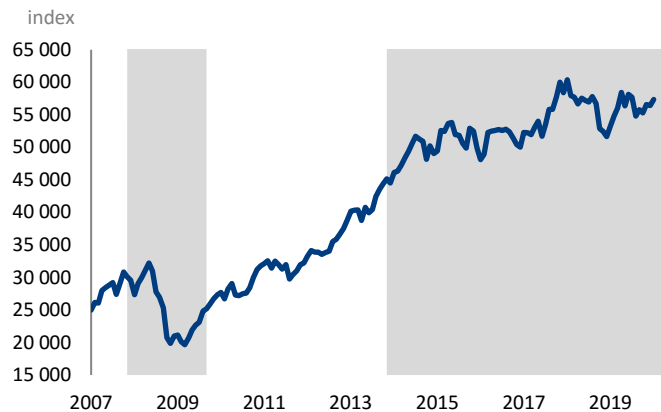
Real effective exchange rate of the Rand



Source: SARB *higher values denote a stronger rand

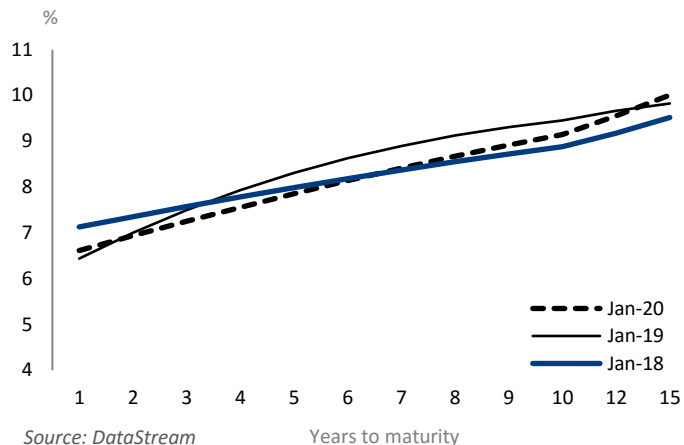
Financial markets

JSE all share index



Source: Thomson Reuters

Yield curve comparisons



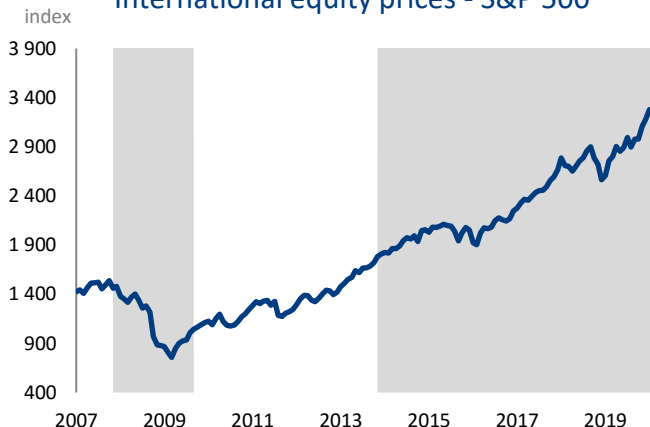
Source: DataStream

Economist all commodities index



Source: Economist

International equity prices - S&P 500

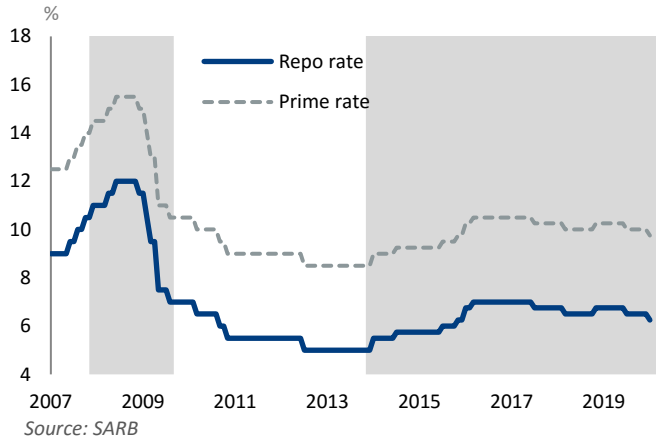


Source: DataStream

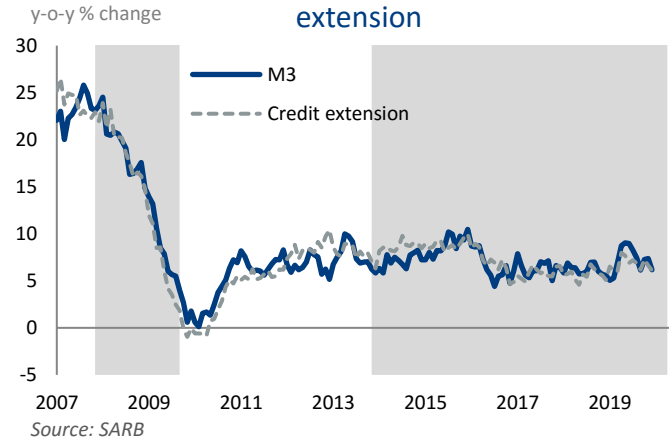
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[Click here for more information about the BER's services.](#)

Money and prices

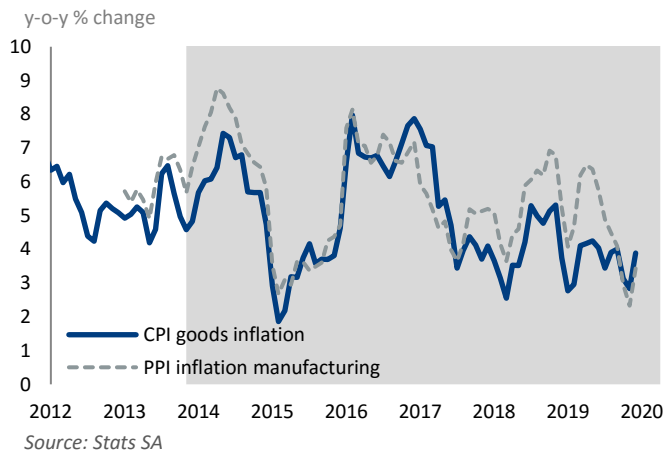
Repo and prime interest rate



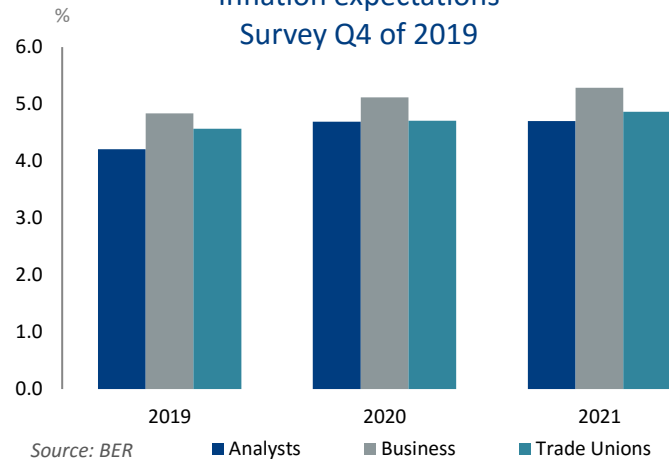
M3 monetary aggregates and credit extension



Consumer and producer prices

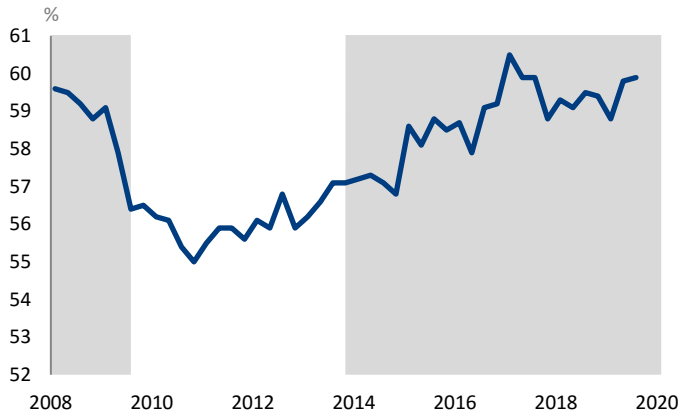


Inflation expectations Survey Q4 of 2019



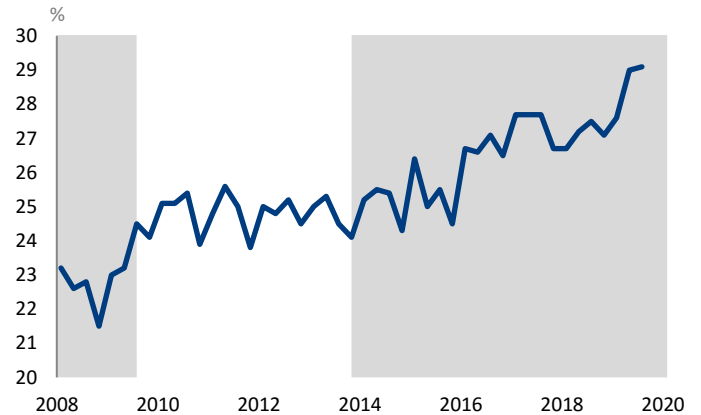
Labour

Labour force participation



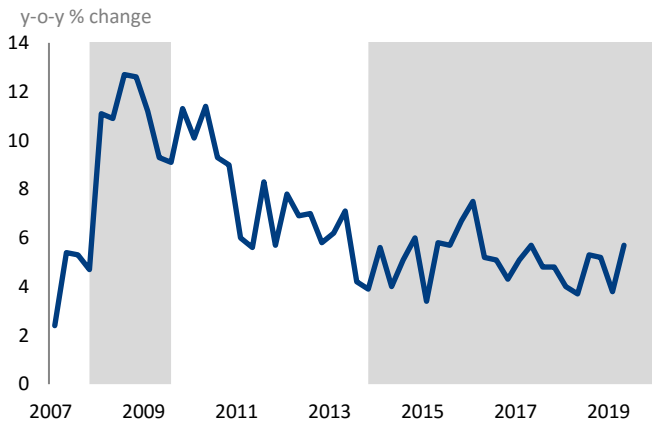
Source: Stats SA

Unemployment rate



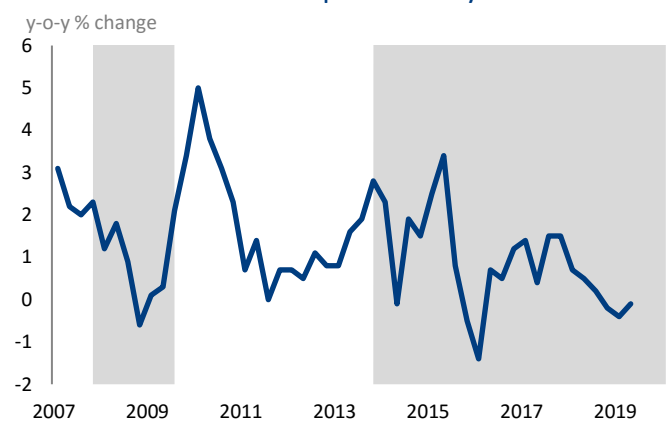
Source: Stats SA

Unit labour cost



Source: SARB

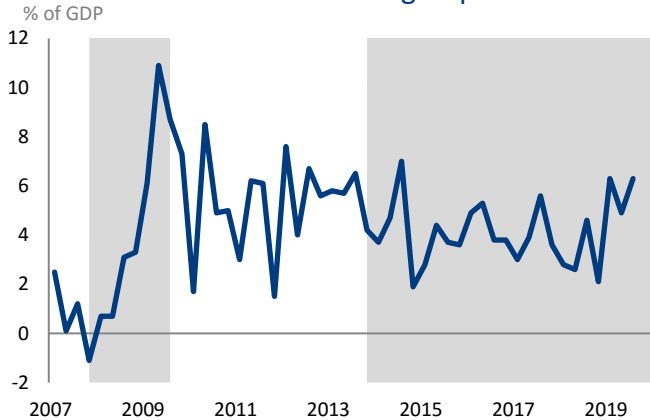
Labour productivity



Source: SARB

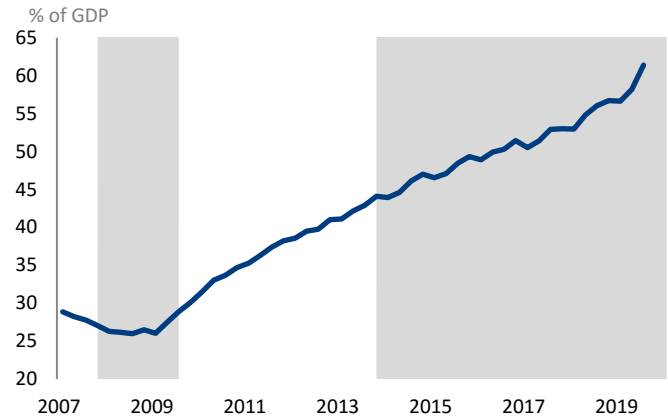
Government

Public sector borrowing requirement



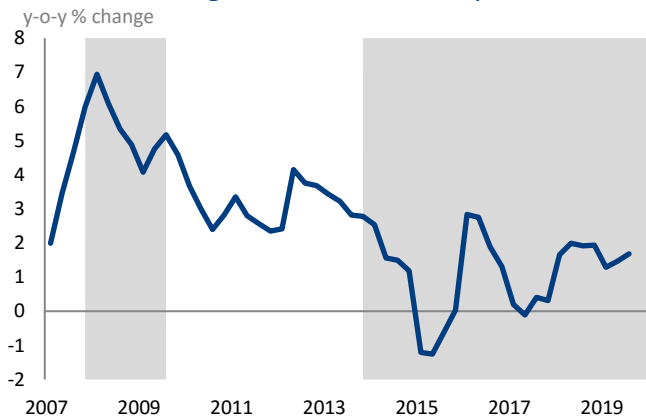
Source: SARB

Gross government debt



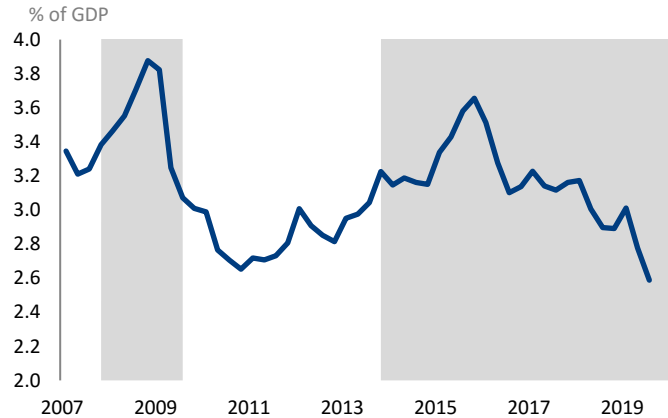
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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