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

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Highlights

May production data disappoints, domestic trade data performs better

Despite still recording sharp annual increases (see a chart of the factory output data [here](#)), seasonally adjusted mining and manufacturing production fell on a monthly basis in May. The annual growth rate is still boosted by the strong base effects following last year's strict(er) lockdown, but the monthly drop suggests that the recovery momentum is slowing. A bout of load-shedding may have resulted in a further slowdown in activity in June. The move to a stricter lockdown level in June may also negatively impact domestic trade data, which came out better than expected in May. Real [retail sales](#) rose by 15.8% y-o-y and 2% m-o-m in May. Wholesale trade sales rose by a solid 6.3% m-o-m in May (31.3% y-o-y).

Damage from protests to further derail economic recovery

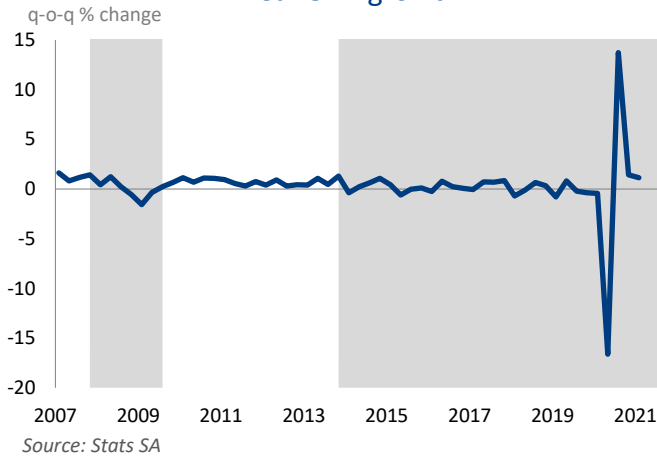
The domestic GDP recovery from the 2020 crash was dealt another hefty blow in July. Violent protests and looting led to the destruction of businesses across different sectors (retail, manufacturing and even mining) in both the formal and informal parts of the economy in the directly affected areas. While there is no official data for July available as yet, figures are likely to show a loss of household consumption and industrial production in KwaZulu-Natal and, to a lesser extent, Gauteng. The sharp drop in the Absa Manufacturing PMI from 57.4 in June to 43.5 in July reflects this damage. The loosening of lockdown restrictions at the end of the month may help spur some renewed growth momentum in August.

SARB on hold; inflation expectation edge up somewhat

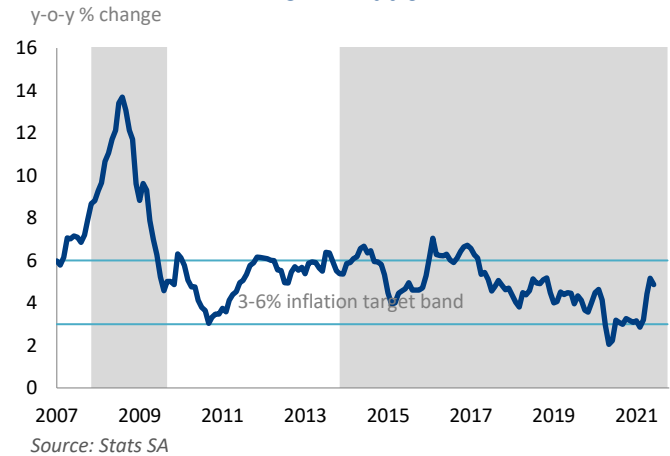
The likely adverse confidence, spending and production effects of the riots meant that the SA Reserve Bank (SARB) held off on increasing its GDP forecast in its latest monetary policy meeting. This would otherwise have been appropriate given the more favourable [Q1 GDP outcome](#). The SARB kept the [repo rate](#) unchanged, as expected, with the prime rate thus steady at 7%. The June [consumer price index \(CPI\) figures](#) suggest that inflation likely peaked in May, and will remain muted through the second half of the year. Indeed, while still assessing the risks to the inflation outlook to be on the upside, the SARB expects consumer inflation to remain well contained in 2021 and 2022. While respondents from the BER's inflation expectations survey generally upwardly adjusted their inflation forecasts, expectations remained around the 4.5% midpoint of the SARB's inflation target range (click [here](#) for a chart of the breakdown).

Core indicators

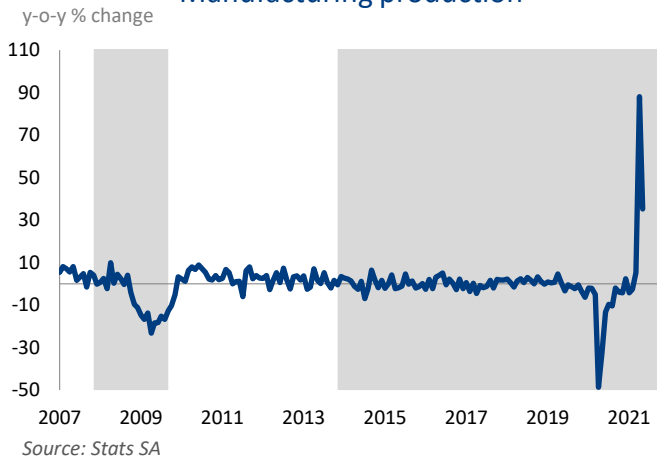
Real GDP growth



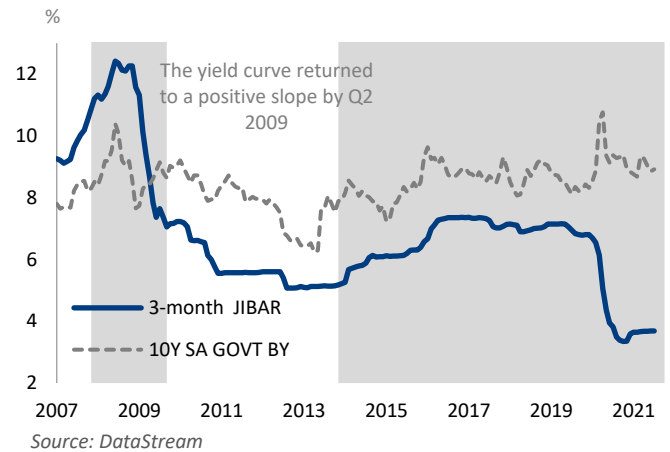
CPI inflation



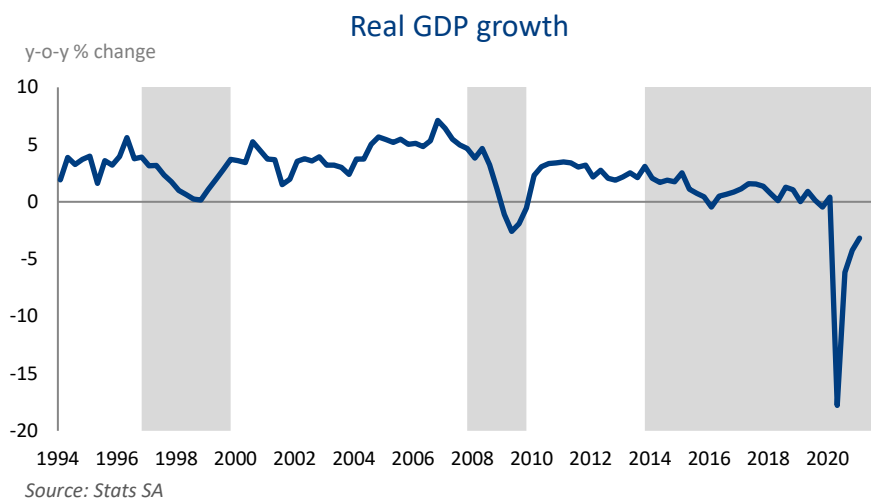
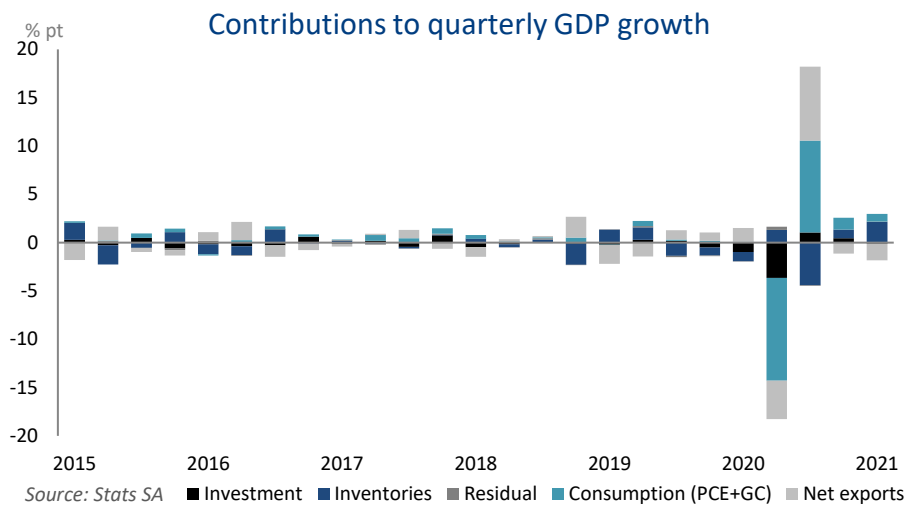
Manufacturing production



Interest rates

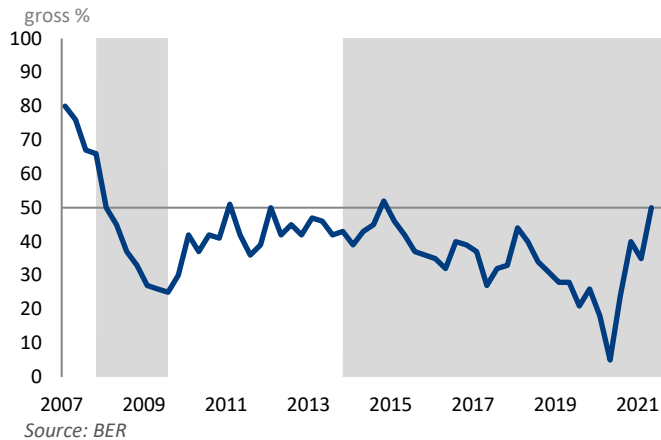


GDP growth

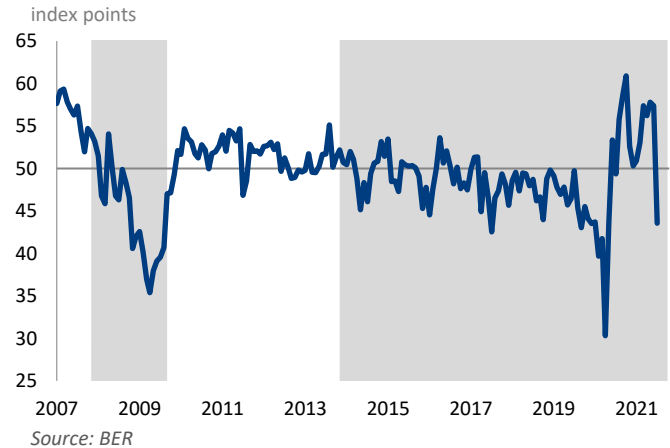


Business environment

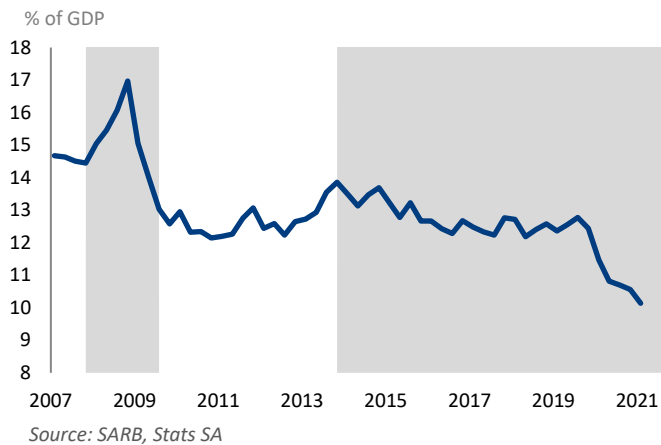
RMB/BER Business Confidence Index



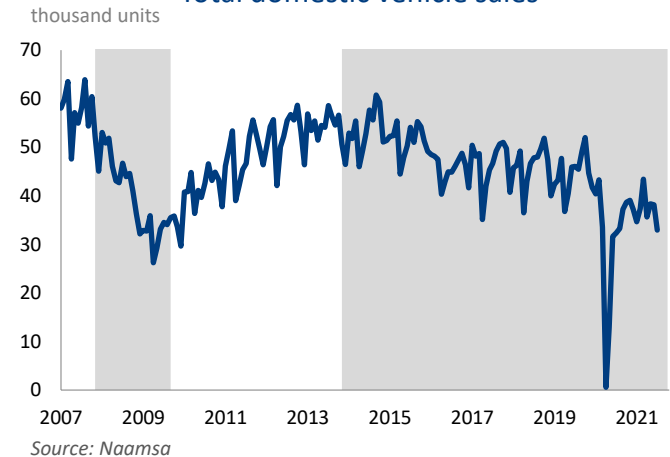
Absa Purchasing Managers' Index



Private fixed investment

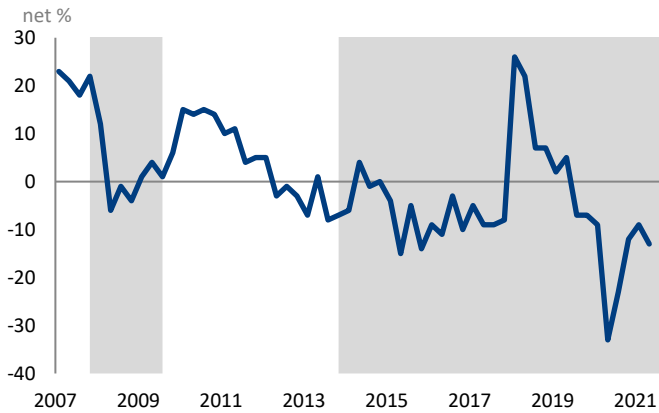


Total domestic vehicle sales



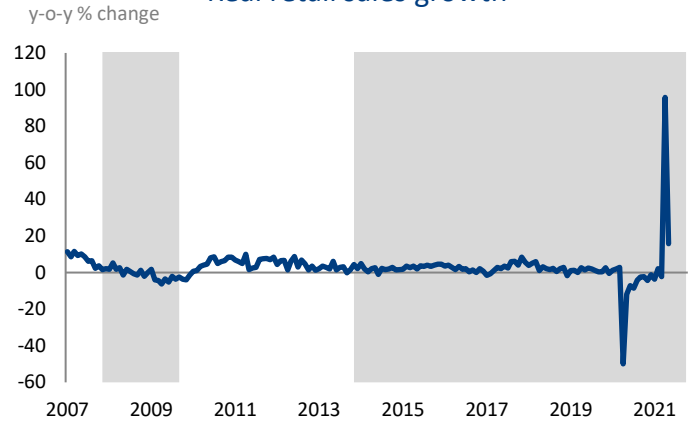
Household consumption

FNB/BER Consumer Confidence Index



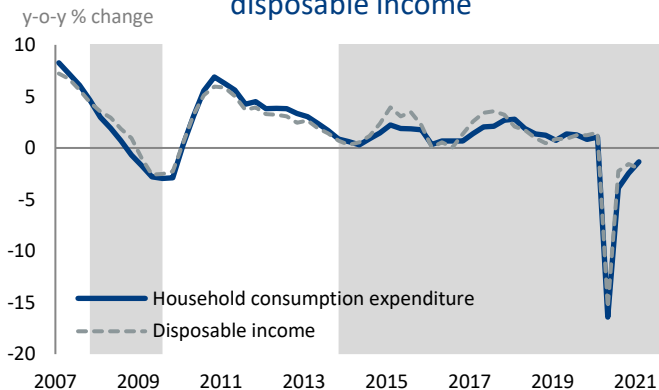
Source: BER

Real retail sales growth



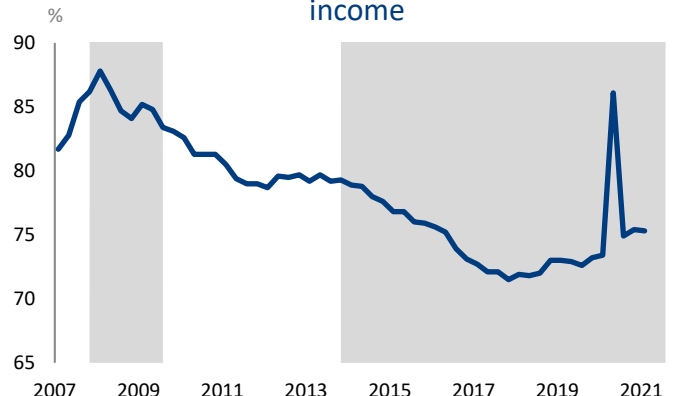
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

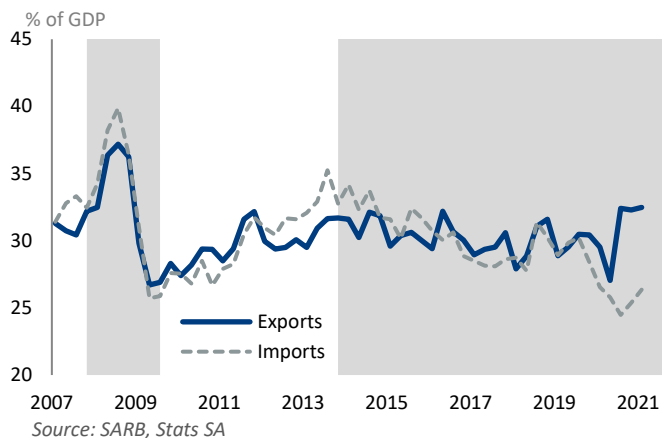
Ratio of household debt to disposable income



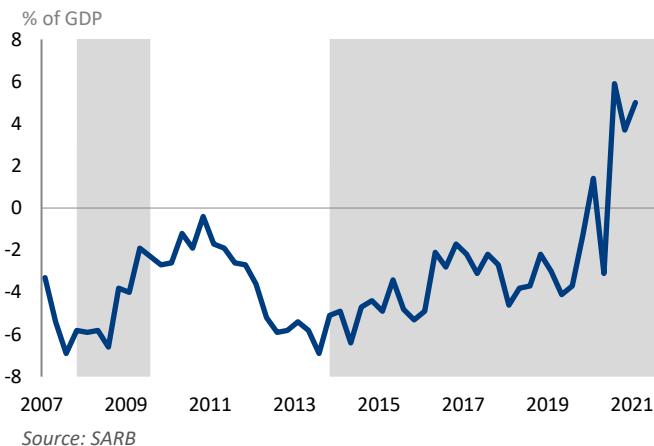
Source: SARB

International trade

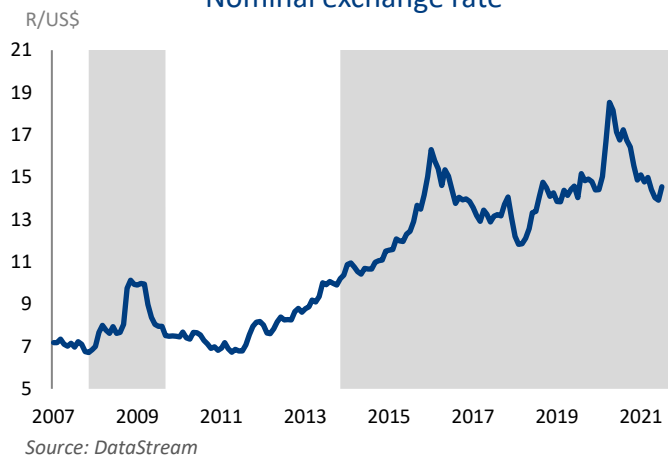
Imports and exports



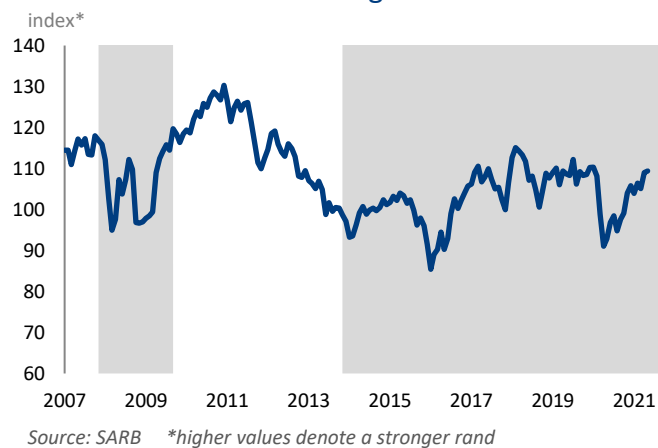
Current account balance



Nominal exchange rate

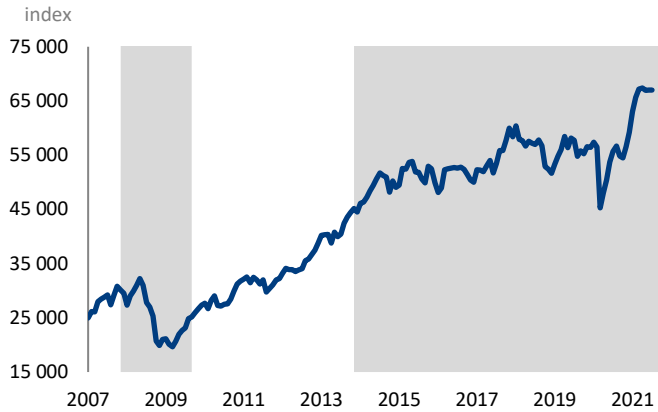


Real effective exchange rate of the Rand



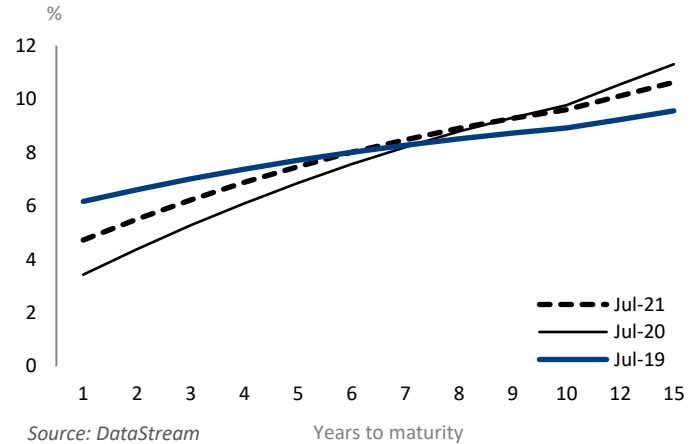
Financial markets

JSE all share index



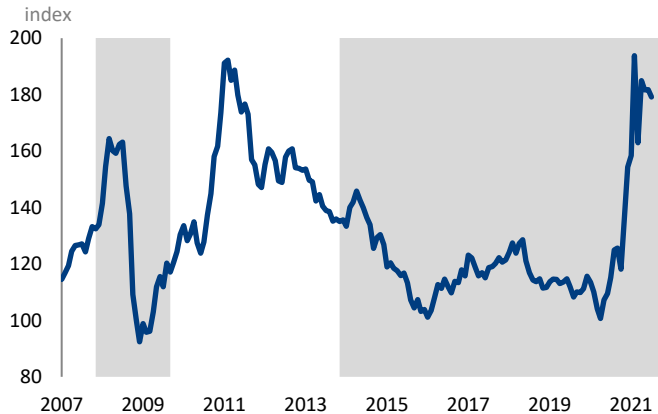
Source: DataStream

Yield curve comparisons



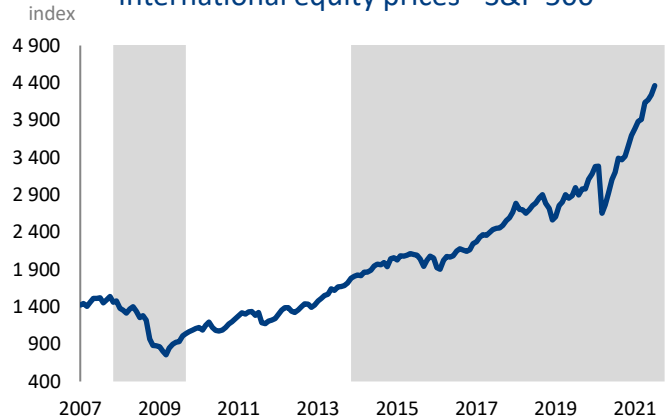
Source: DataStream

Economist all commodities index



Source: Economist

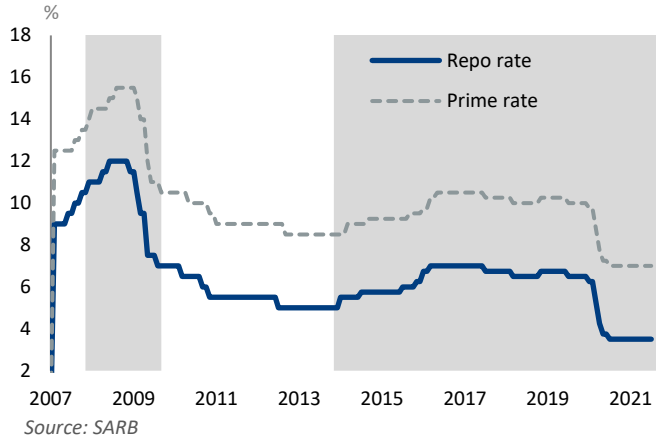
International equity prices - S&P 500



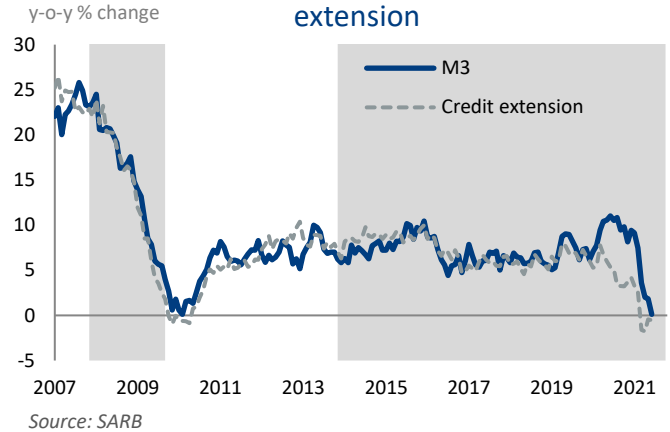
Source: DataStream

Money and prices

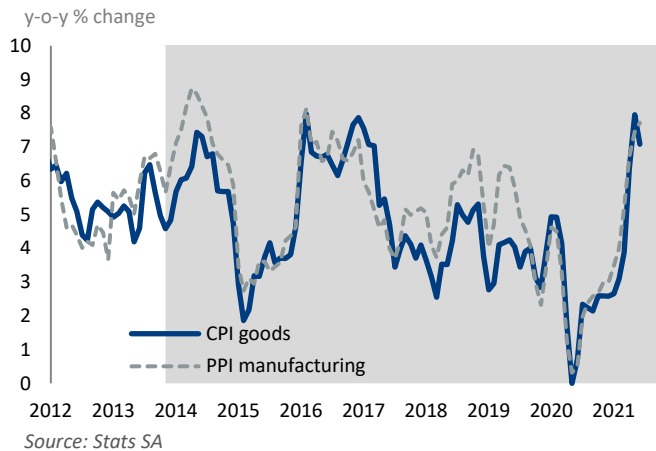
Repo and prime interest rate



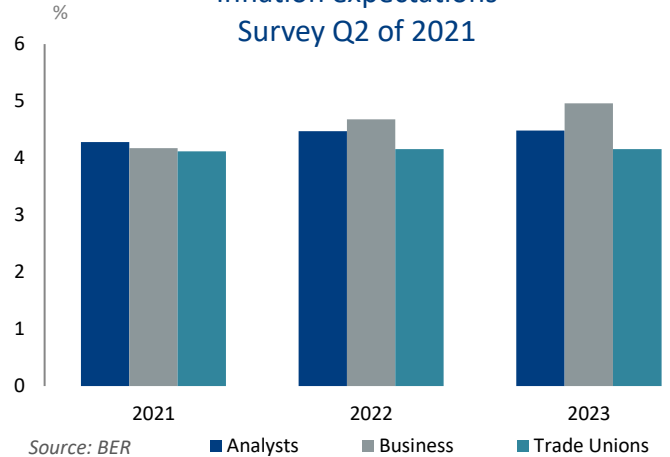
M3 monetary aggregates and credit extension



Consumer and producer prices

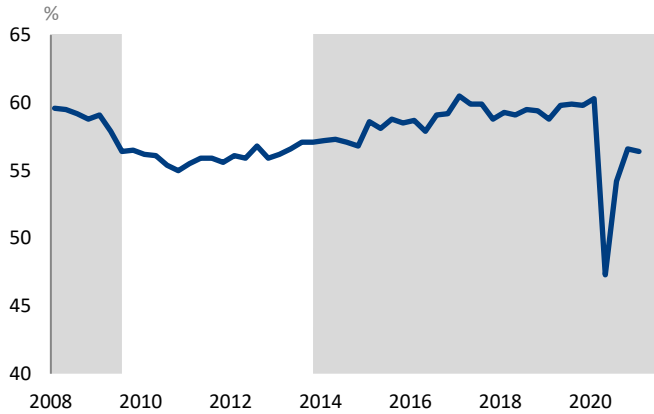


Inflation expectations Survey Q2 of 2021



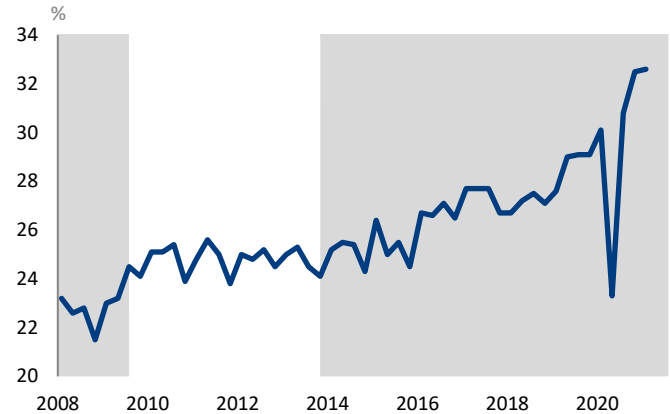
Labour

Labour force participation



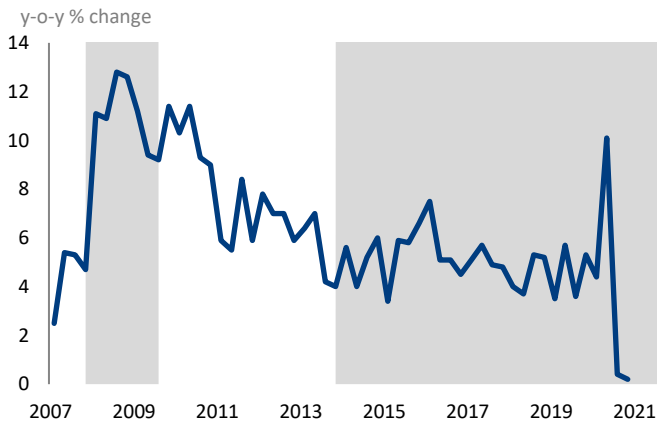
Source: Stats SA

Unemployment rate



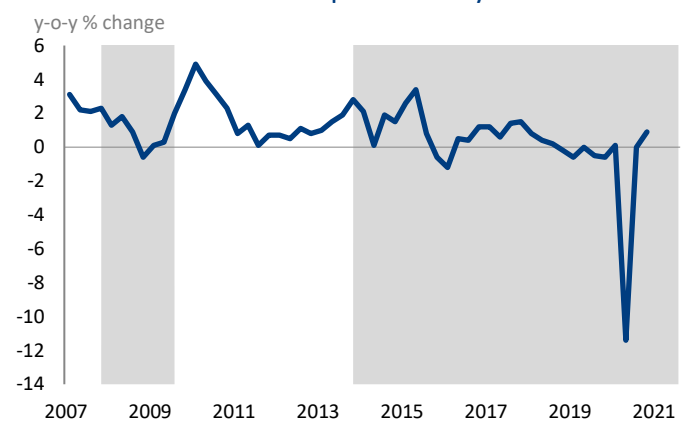
Source: Stats SA

Unit labour cost



Source: SARB

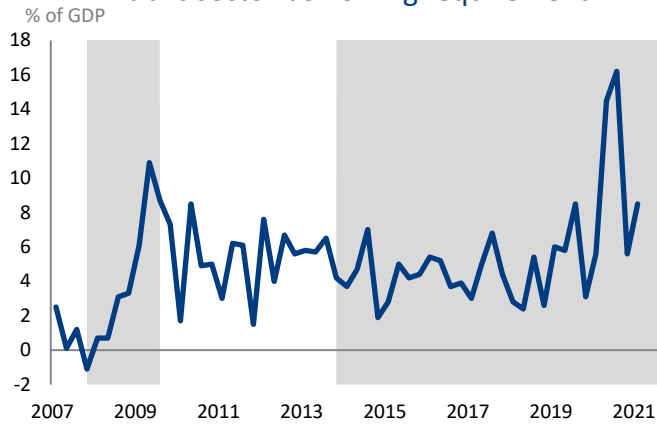
Labour productivity



Source: SARB

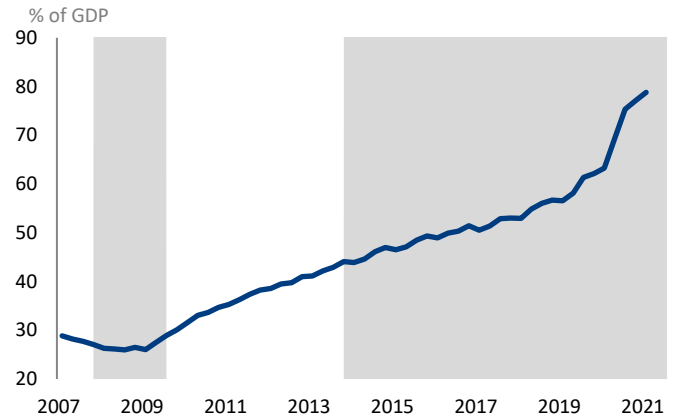
Government

Public sector borrowing requirement



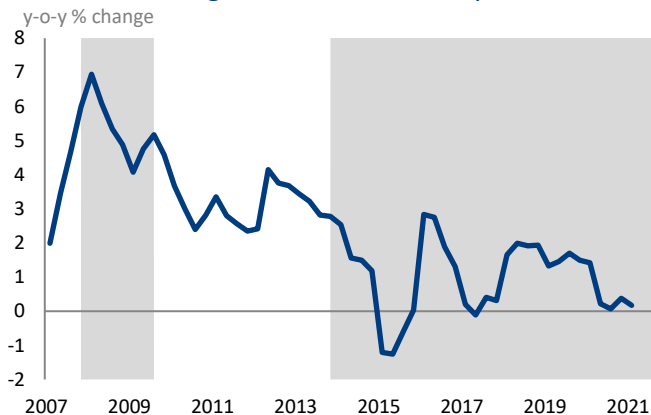
Source: SARB

Gross government debt



Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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