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

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Highlights

June factory output misses expectations, Absa PMI points to rebound in August

According to Stats SA, [manufacturing production](#) increased by 12.5% y-o-y in June – sharply down from the upwardly revised 36.3% that was recorded in May. On a seasonally adjusted monthly basis, factory output contracted by 0.7% in June. When compared to the first quarter of 2021, production decreased by 1.0%, suggesting that the sector is likely to weigh on second quarter GDP. The July monthly print is likely to be even weaker as the sector was affected by the widespread looting, disruptions at Transnet and strict(er) lockdown regulations. Fortunately, the [Absa PMI](#) points to a strong recovery in August. Both the PMI's business activity and new sales order indices more than erased July's losses. The impact on the official production statistics will be more pronounced in the monthly rate rather than the annual print. Although less so than earlier in the year, the annual figure may still benefit from a lower base set in 2020.

Unemployment rate up to record high in 2021Q2

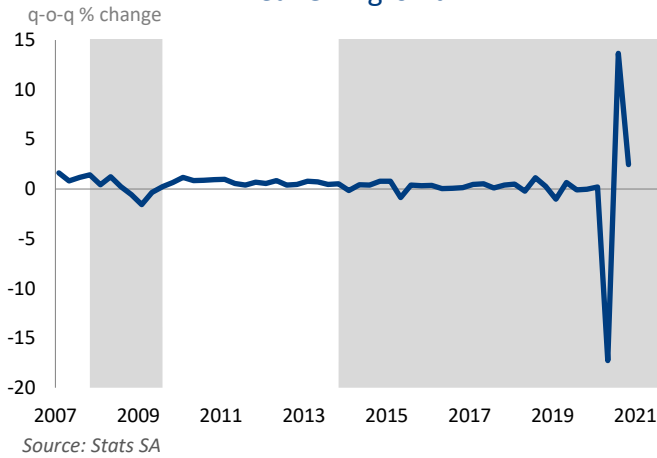
The latest Quarterly Labour Force Survey (QLFS) shows that total employment fell by 54 000 q-o-q in Q2. The decline was fully driven by a steep drop in formal employment, which fell by 375 000 to 10.2 million in Q2 and is now 10% below the pre-pandemic level of 11.3 million. At the same time, around half a million people started looking for work again and thereby re-joined the labour force. With lower employment relative to a larger labour force, the [unemployment rate](#) rose to 34.4% in Q2, the highest on record. The labour force participation rate remains well below the pre-pandemic level.

US Federal Reserve talk about tapering asset purchases jitters global markets

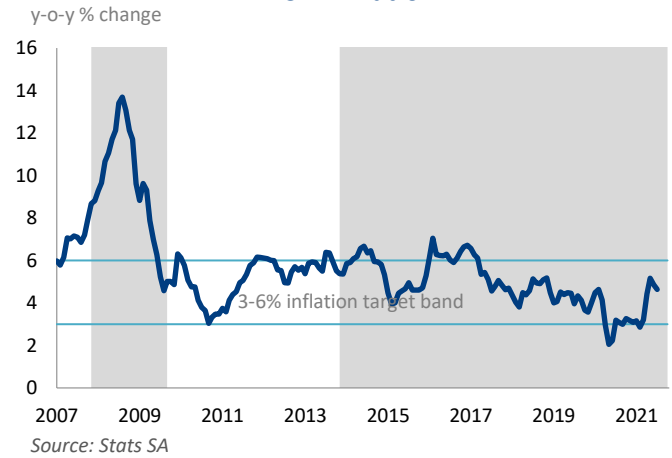
During the month, commentary from the US Federal Reserve (Fed) suggested that the bank is likely to start dialling back its ultra-accommodative monetary policy before the end of the year. This is due to a combination of a recovering US jobs market and still elevated price pressure. While the Fed is adamant that a reduction in monthly asset purchases is not linked to the timing of future interest rate hikes, financial markets have already started to reposition. This initially resulted in a somewhat stronger dollar, which in turn contributed to rand weakness mid-month (click [here](#) for graphs on exchange rate trends). However, more recently, markets seem to have taken comfort in the Fed's signalling that the removal of stimulus will likely be a very gradual process, which has boosted the US stock market (see [here](#)). The Fed will keep a keen eye on incoming (jobs) data as well as the spread of the Delta COVID-19 variant and how this will impact the economic recovery.

Core indicators

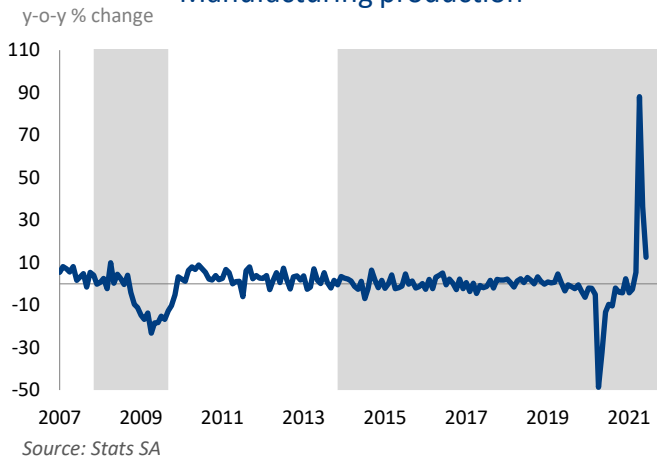
Real GDP growth



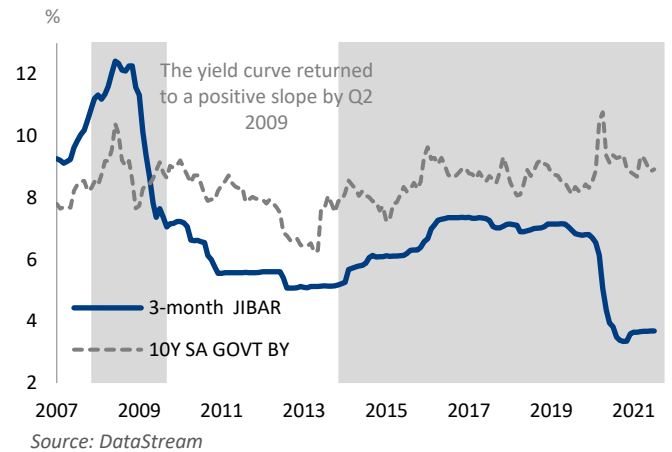
CPI inflation



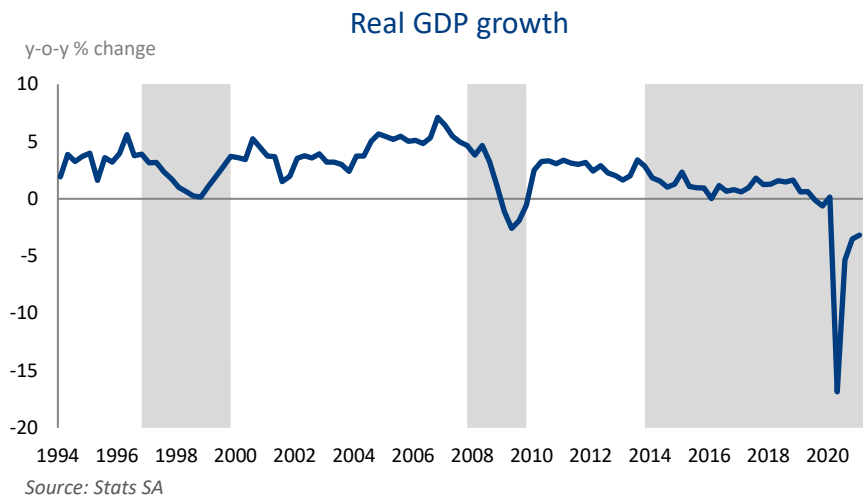
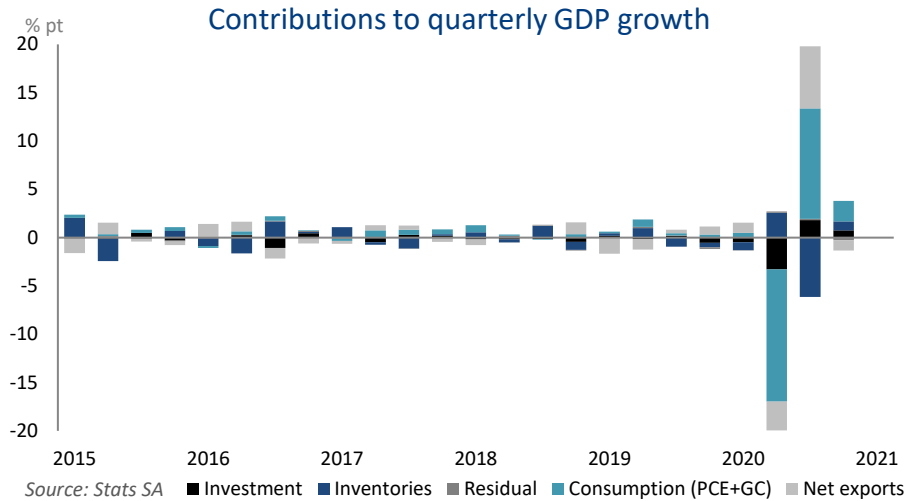
Manufacturing production



Interest rates

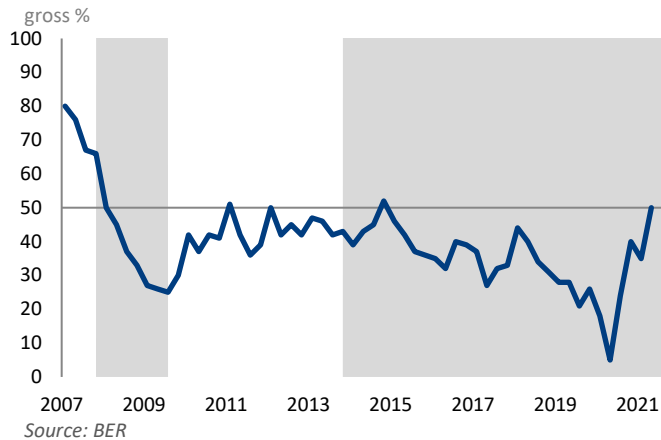


GDP growth

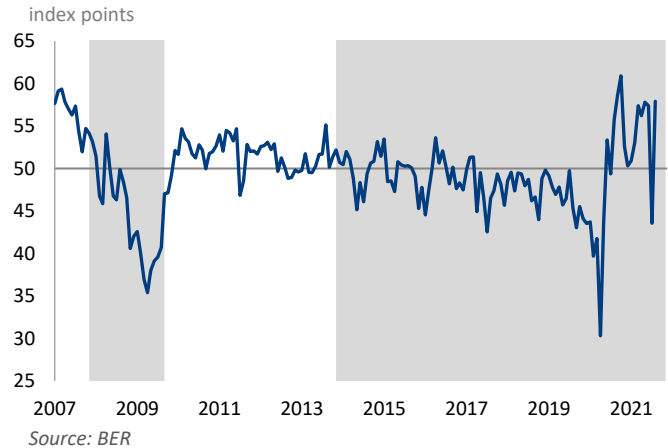


Business environment

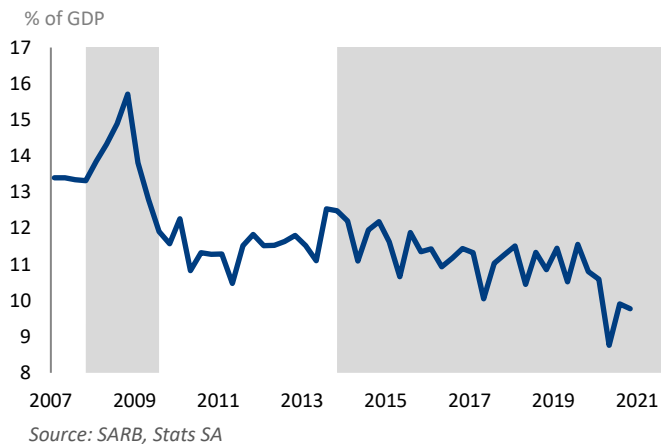
RMB/BER Business Confidence Index



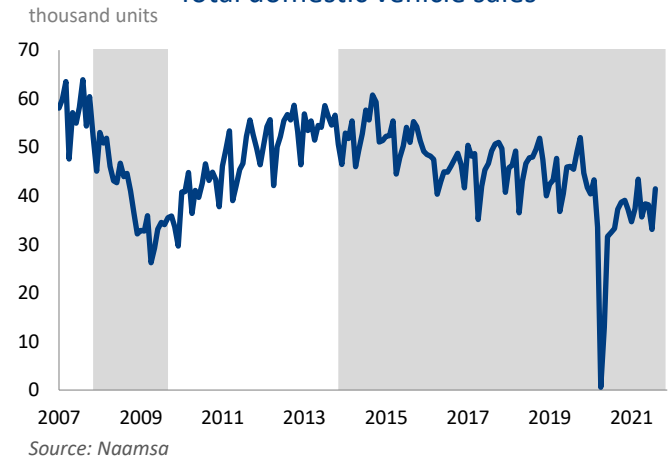
Absa Purchasing Managers' Index



Private fixed investment

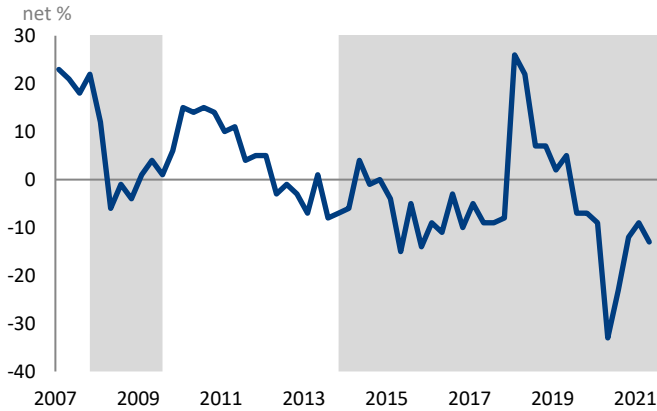


Total domestic vehicle sales



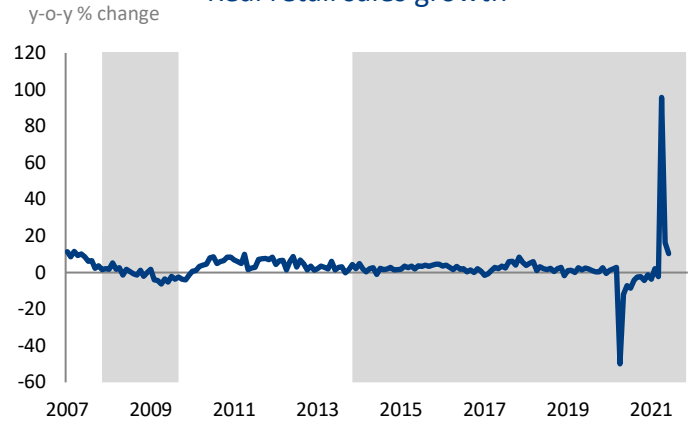
Household consumption

FNB/BER Consumer Confidence Index



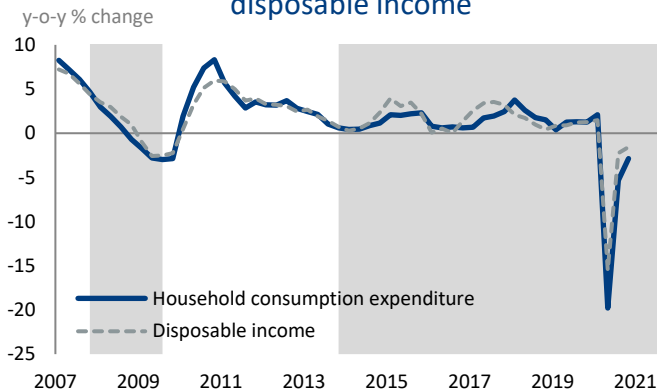
Source: BER

Real retail sales growth



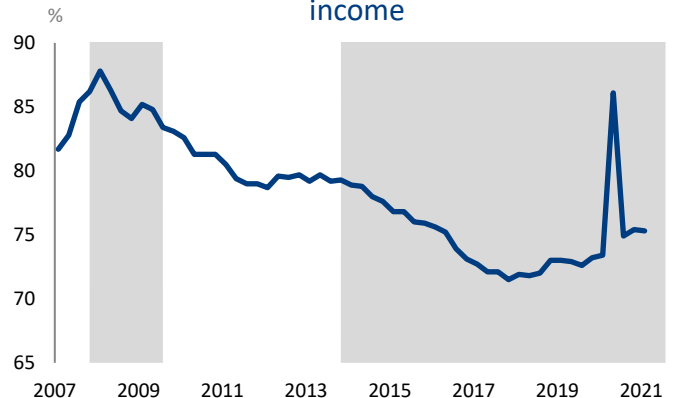
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

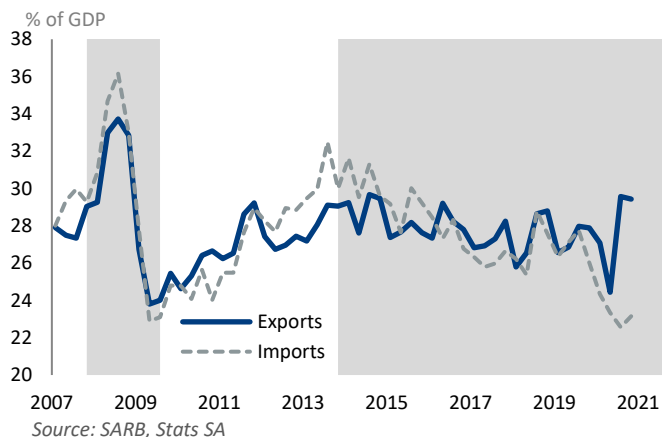
Ratio of household debt to disposable income



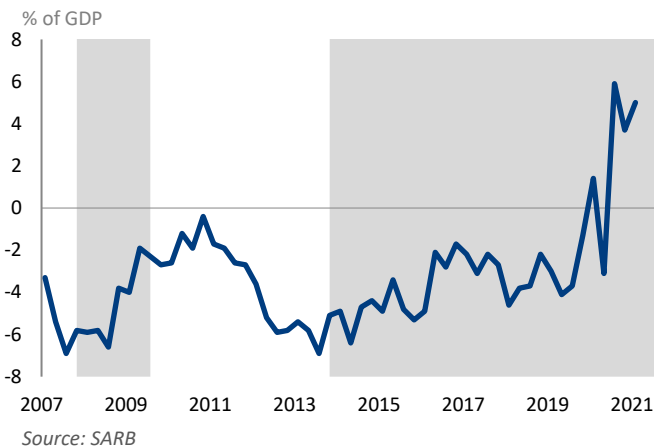
Source: SARB

International trade

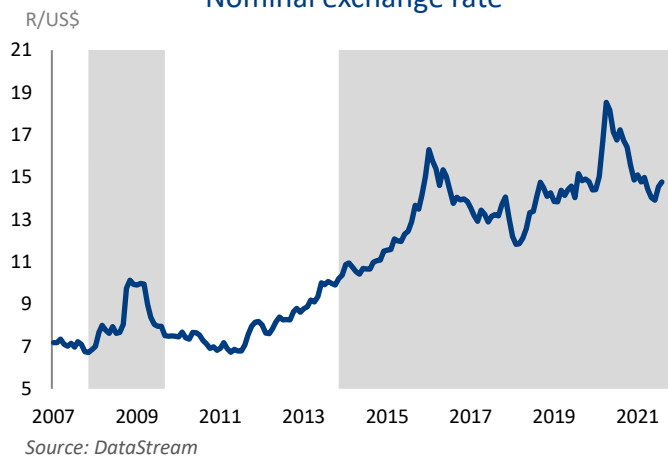
Imports and exports



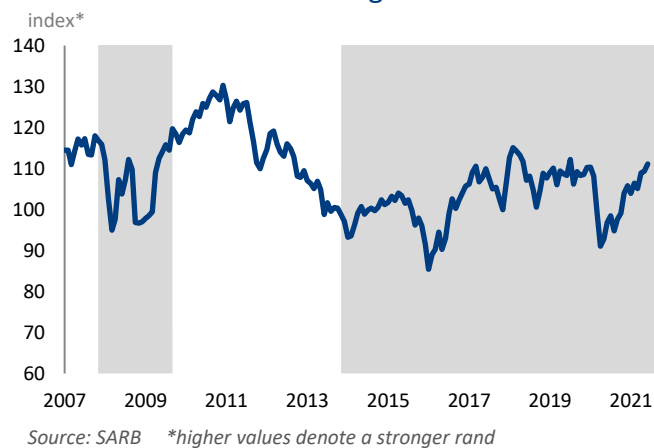
Current account balance



Nominal exchange rate

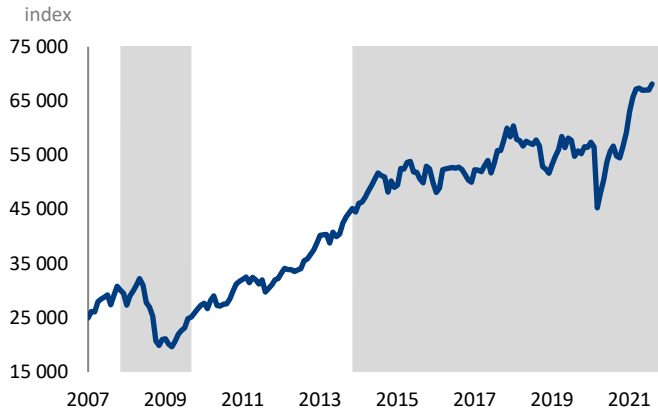


Real effective exchange rate of the Rand



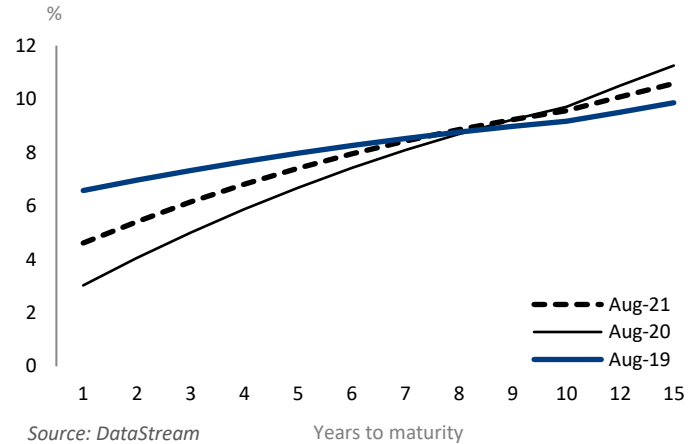
Financial markets

JSE all share index



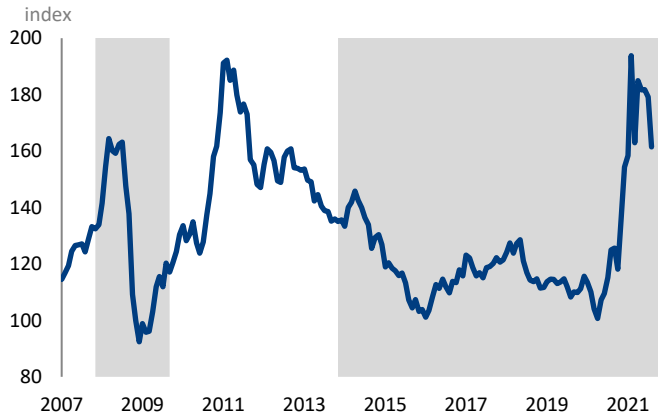
Source: DataStream

Yield curve comparisons



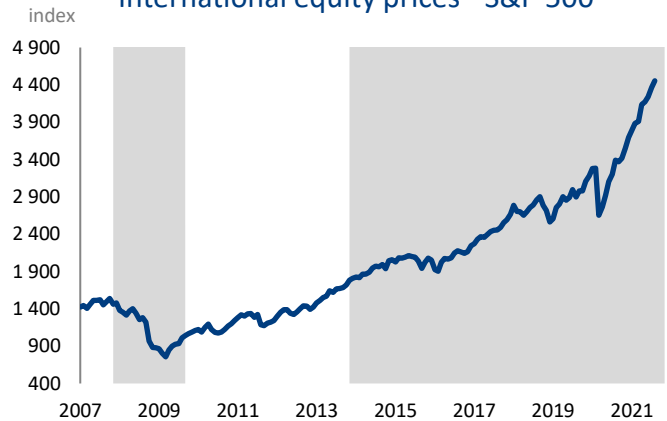
Source: DataStream

Economist all commodities index



Source: Economist

International equity prices - S&P 500

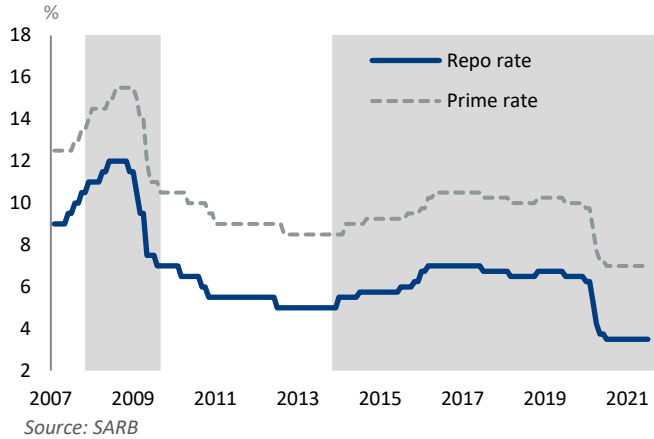


Source: DataStream

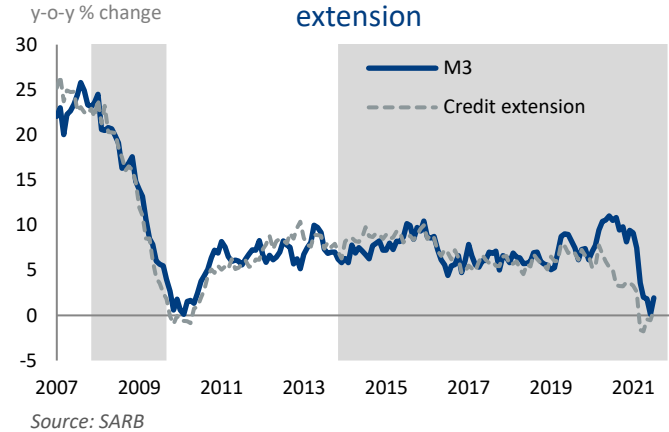
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Money and prices

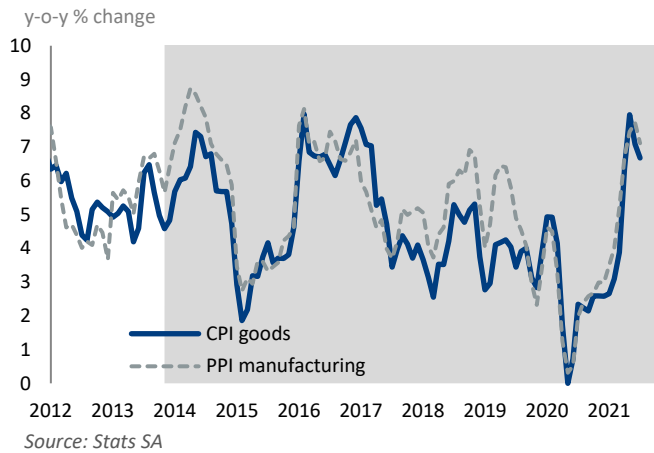
Repo and prime interest rate



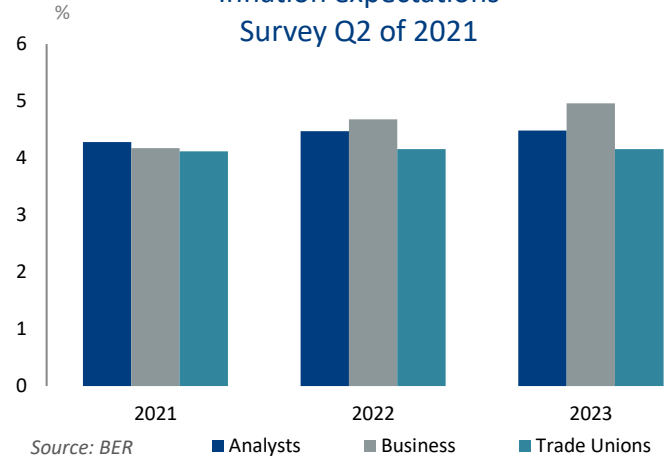
M3 monetary aggregates and credit extension



Consumer and producer prices

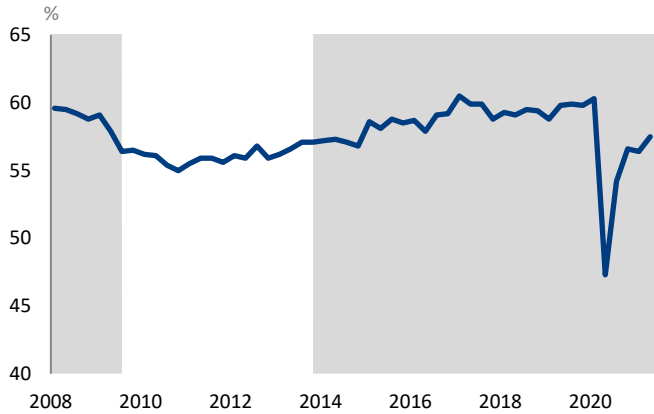


Inflation expectations Survey Q2 of 2021



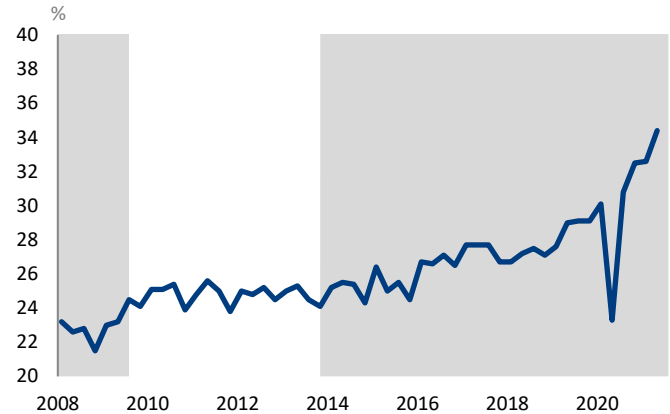
Labour

Labour force participation



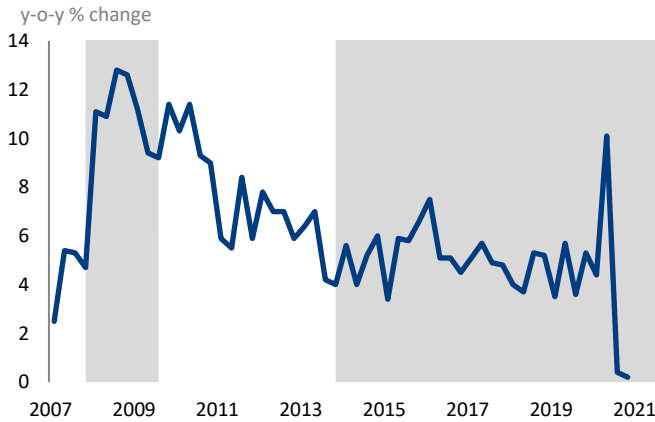
Source: Stats SA

Unemployment rate



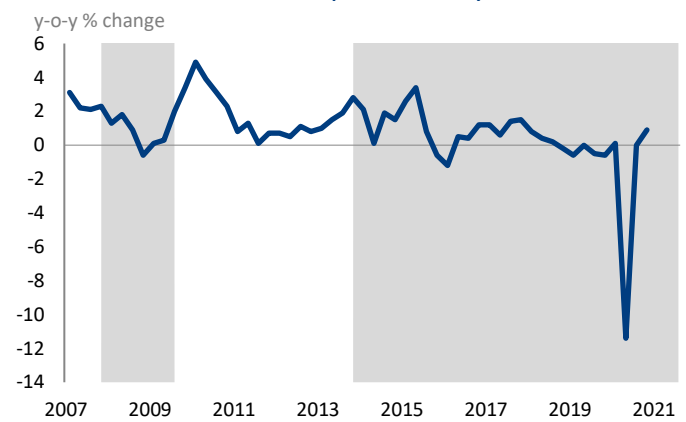
Source: Stats SA

Unit labour cost



Source: SARB

Labour productivity

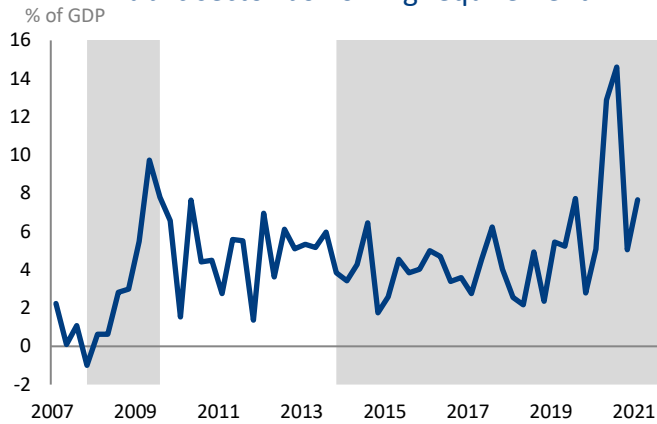


Source: SARB

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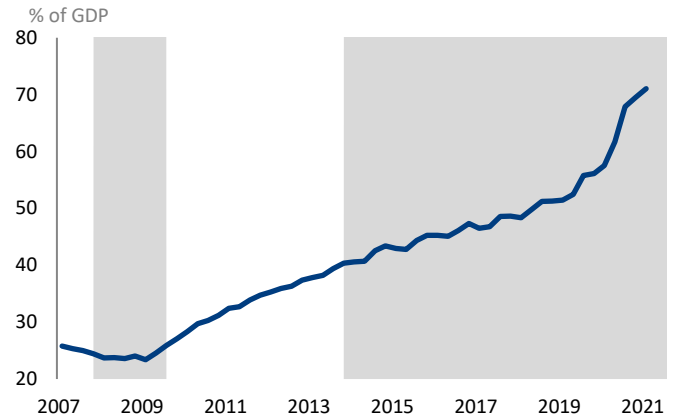
Government

Public sector borrowing requirement



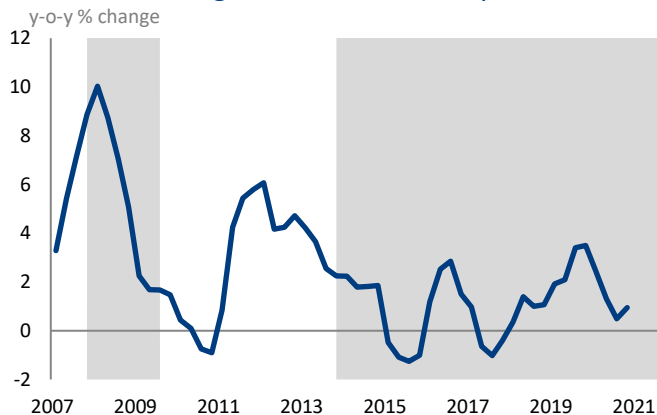
Source: SARB

Gross government debt



Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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