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

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Highlights

CPI at a multi-year high

According to Stats SA, headline consumer inflation accelerated to 5.9% y-o-y in December 2021, the highest in nearly five years and up from the 5.5% recorded in November. Inflation is now on the edge of the upper band of the SARB's inflation target range. The largest contributor to annual inflation was transport, which climbed 16.8% y-o-y (adding 2.3% pts). This was mainly attributable to fuel prices which increased by 40.5% y-o-y, up from 34.5% y-o-y in November. Core inflation (which excludes food and non-alcoholic beverages, fuel and energy from the headline measure) was at 3.4% y-o-y in December, the highest since October of 2020 ([see graphs](#)).

MPC raises repo rate by 25 basis points

On 27 January, the SARB Monetary Policy Committee (MPC) announced a 25-basis-point increase in the repo rate, in line with market predictions. This increase comes on top of a similar increase in November, making this only the second rate hike in more than three years. Consequently, the prime interest rate increased from 7.25% to 7.5% ([see graphs](#)). The MPC motivated their decision with a list of concerns, especially the faster normalisation of global policy rates and upside risks to inflation. Clients can read a more detailed comment on the decision [here](#).

Tax revenue remains buoyant

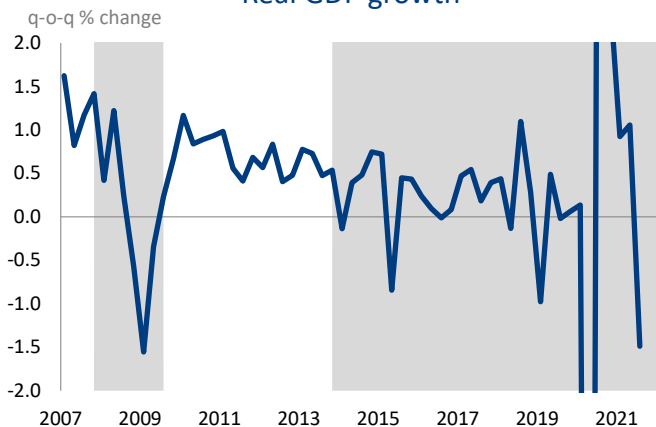
In the first nine months of the 2021/22 fiscal year, SA's gross tax revenue rose by 29.5% y-o-y. This compares with the projection of a 19% increase for the entire fiscal year (through to March 2022) outlined in the November 2021 Treasury budget statement. If the current rate of outperformance is sustained through March, tax revenue in 2021/22 will exceed the November projection by a significant R132 billion. This supports our view that the main budget deficit for 2021/22 will turn out to be notably better (smaller) than the 6.6% of GDP projected in November.

Mining output dragged up by PGMs in November 2021

Mining production increased by 5.2% y-o-y in November, after an upwardly revised 2.2% rise in October. The largest positive contributors were PGMs (up by 38.1% and contributing 7.7% pts) and iron ore (9.3% and 0.8% pts). Conversely, coal was a significant negative contributor, after production decreased by 7.9% y-o-y. In addition, gold production fell by 0.7% y-o-y, the third consecutive decline.

Core indicators

Real GDP growth



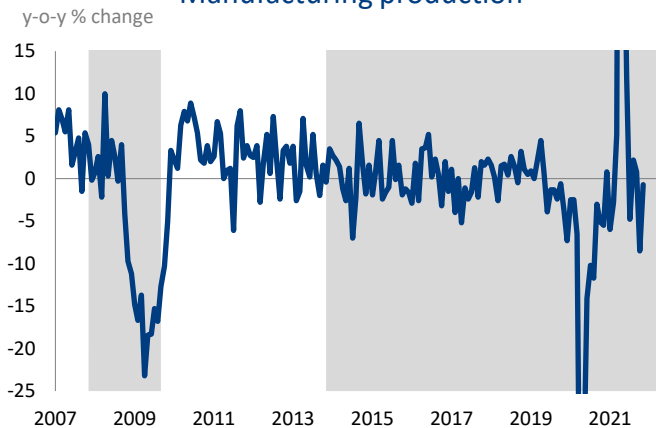
Source: Stats SA

CPI inflation



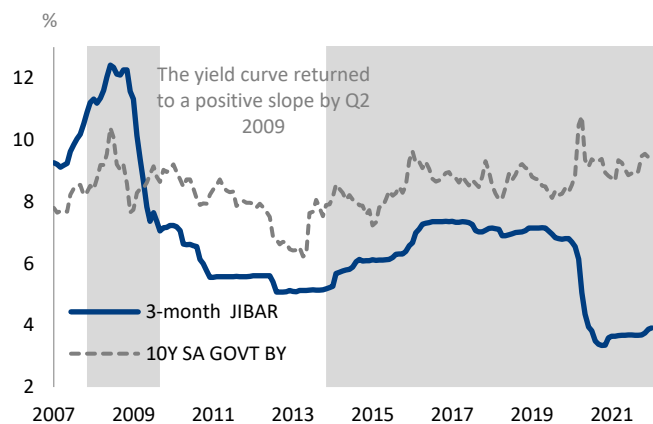
Source: Stats SA

Manufacturing production



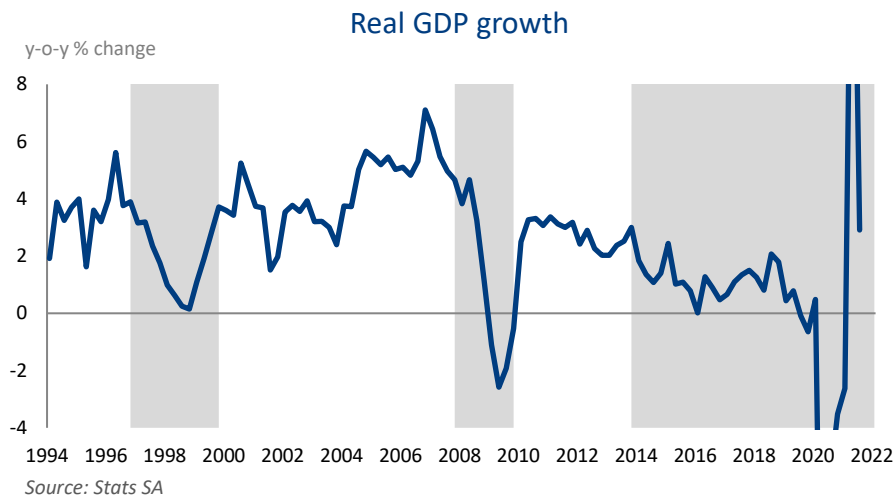
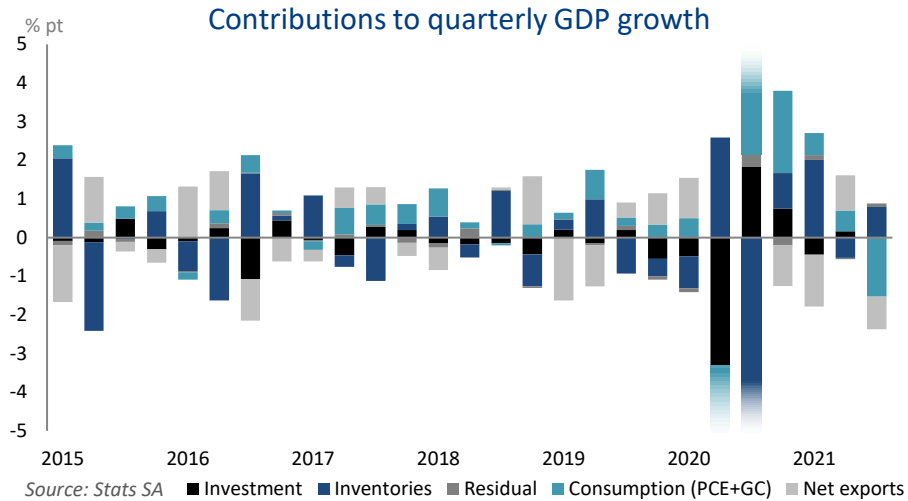
Source: Stats SA

Interest rates



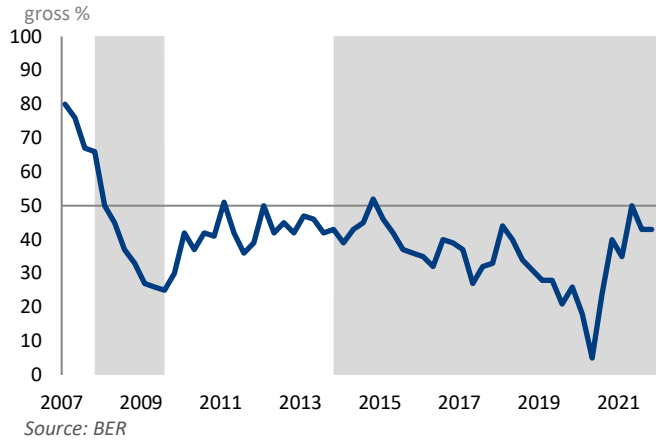
Source: DataStream

GDP growth

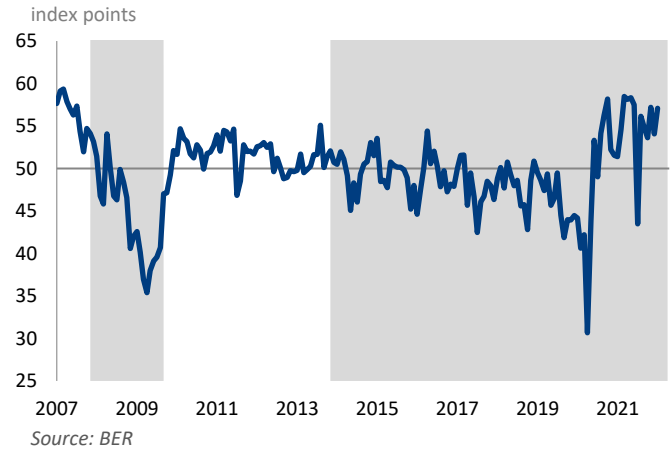


Business environment

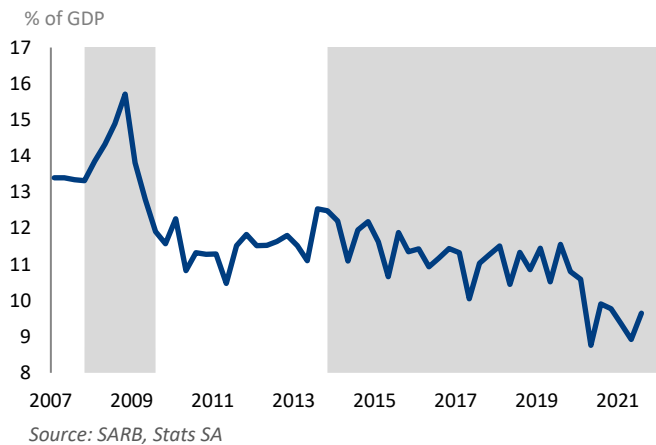
RMB/BER Business Confidence Index



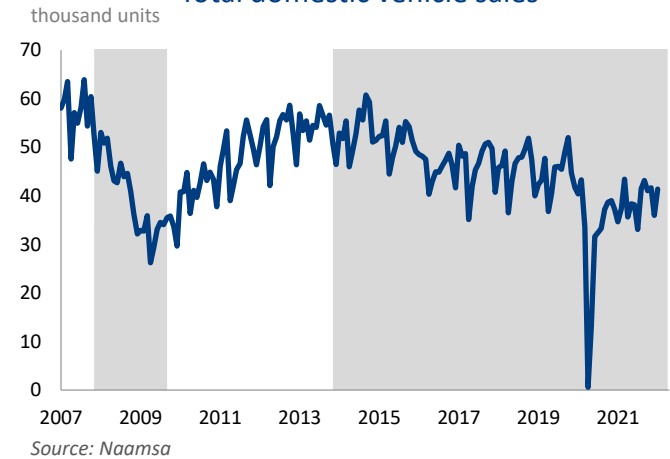
Absa Purchasing Managers' Index



Private fixed investment

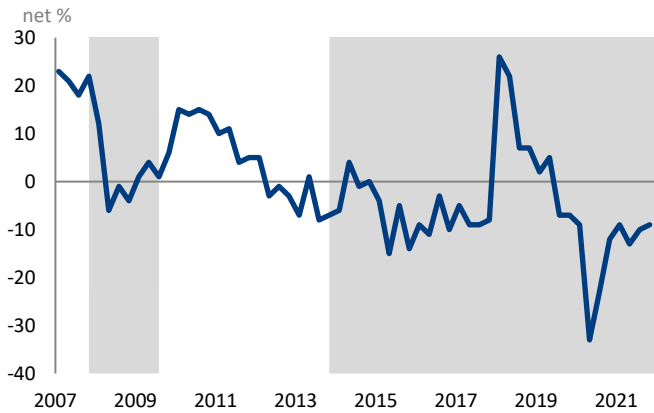


Total domestic vehicle sales



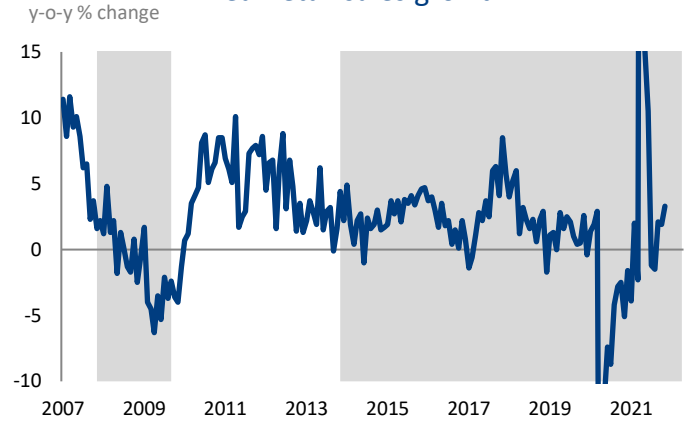
Household consumption

FNB/BER Consumer Confidence Index



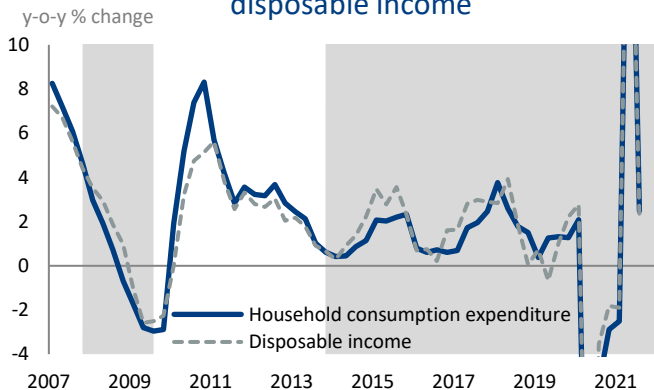
Source: BER

Real retail sales growth



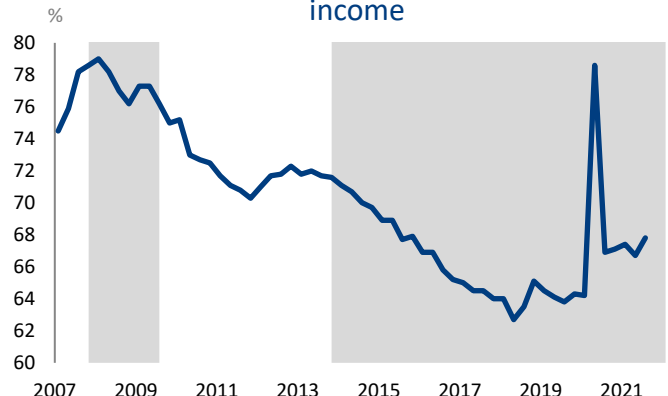
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

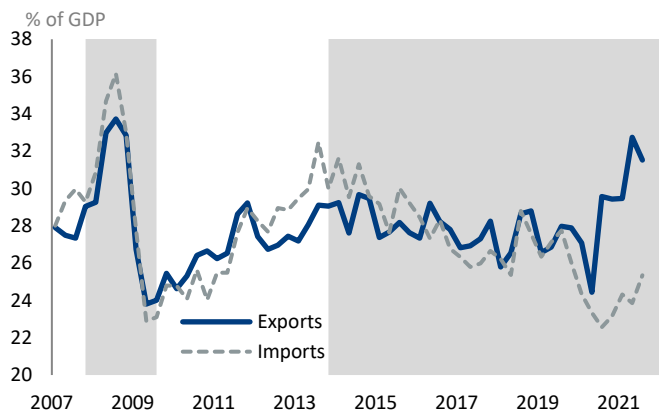
Ratio of household debt to disposable income



Source: SARB

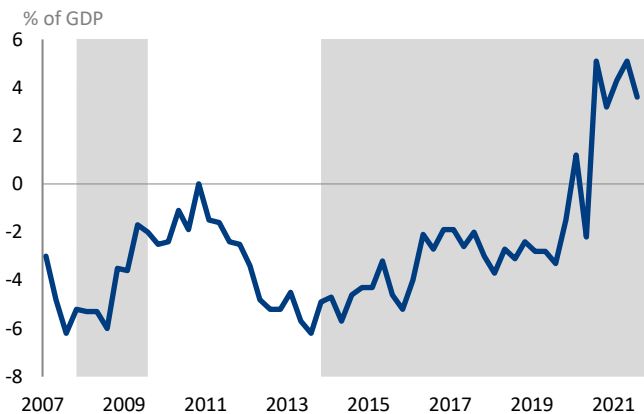
International trade

Imports and exports



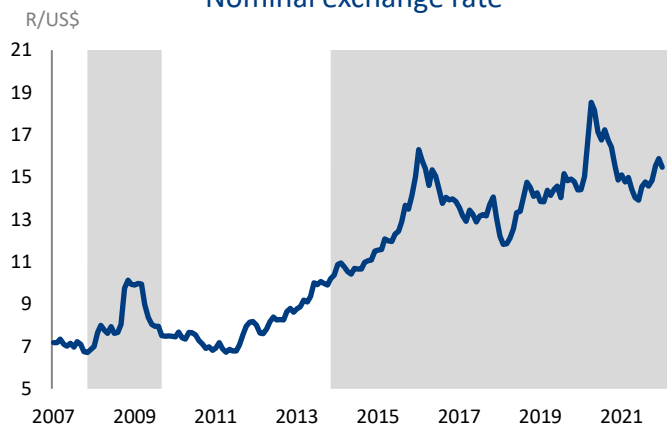
Source: SARB, Stats SA

Current account balance



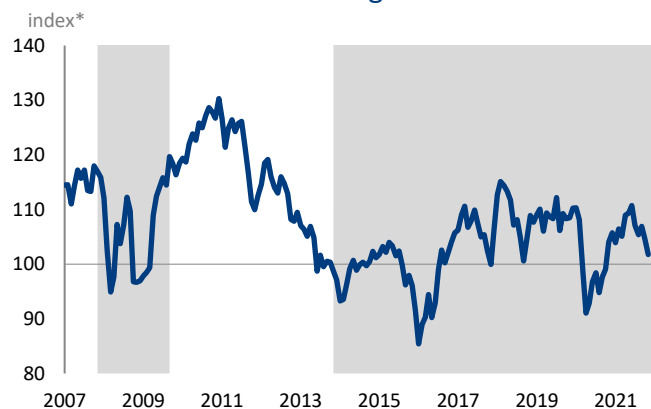
Source: SARB

Nominal exchange rate



Source: DataStream

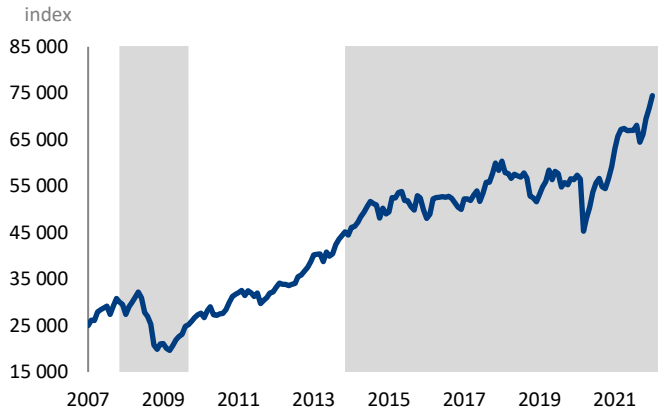
Real effective exchange rate of the Rand



Source: SARB *higher values denote a stronger rand

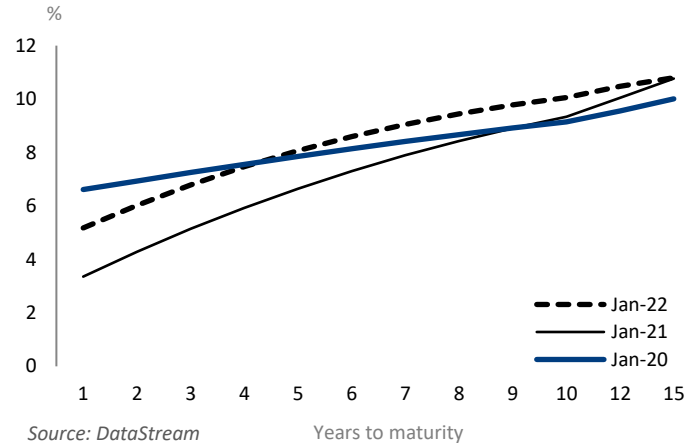
Financial markets

JSE all share index



Source: DataStream

Yield curve comparisons



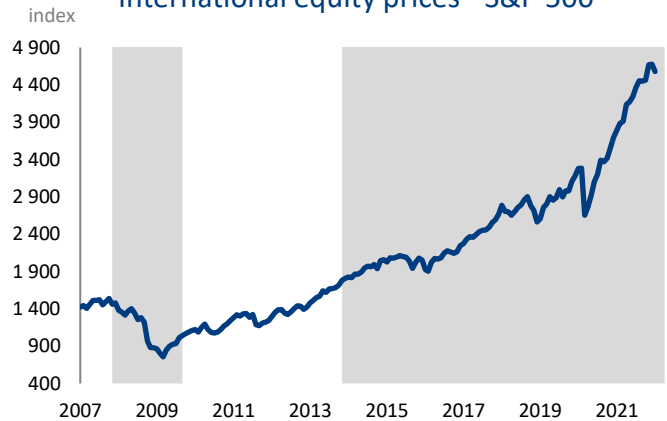
Source: DataStream

Economist all commodities index



Source: Economist

International equity prices - S&P 500

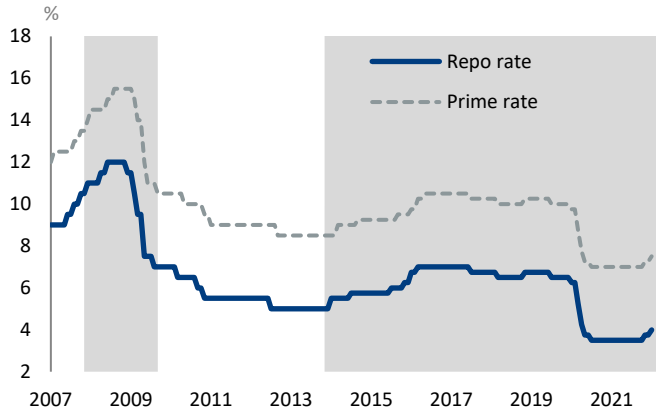


Source: DataStream

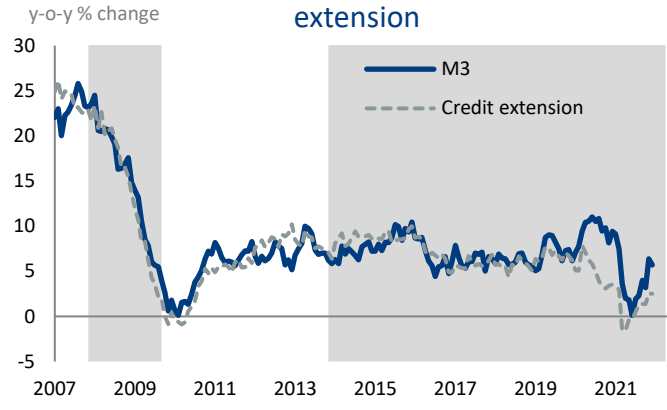
Please refer to the [glossary on the BER's website](#) for explanations of technical terms.
[Click here for more information about the BER's services.](#)

Money and prices

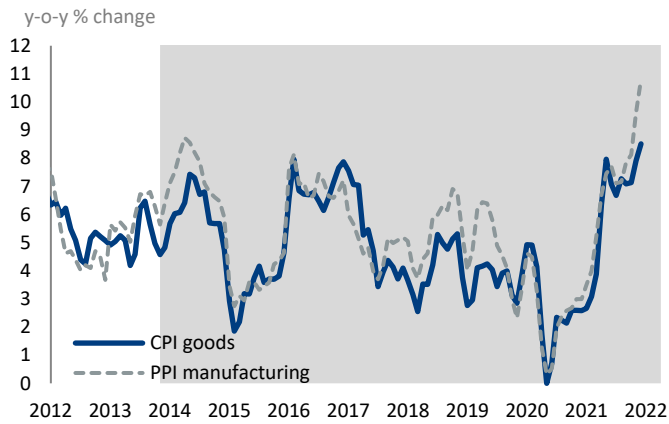
Repo and prime interest rate



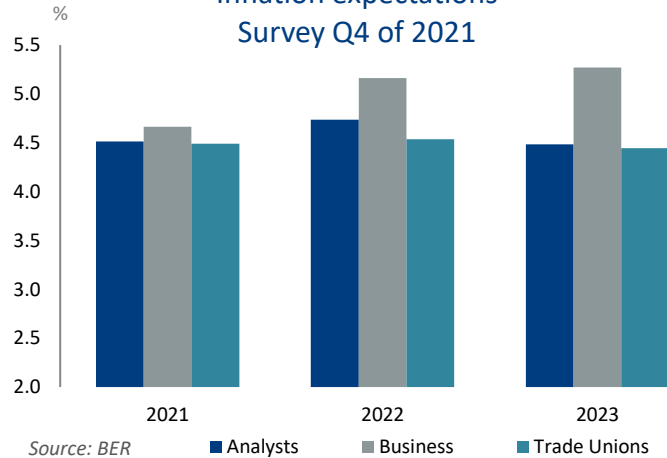
M3 monetary aggregates and credit extension



Consumer and producer prices

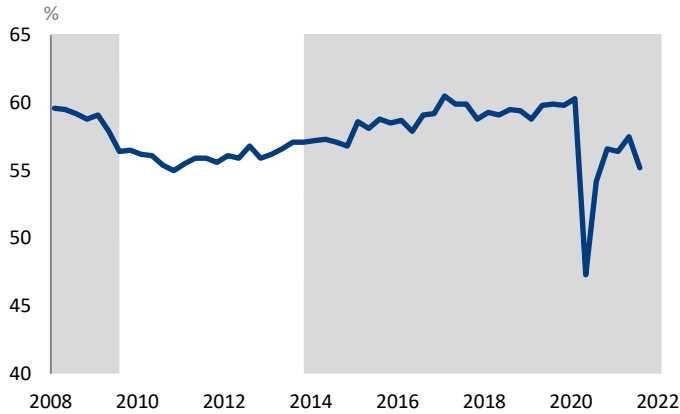


Inflation expectations Survey Q4 of 2021



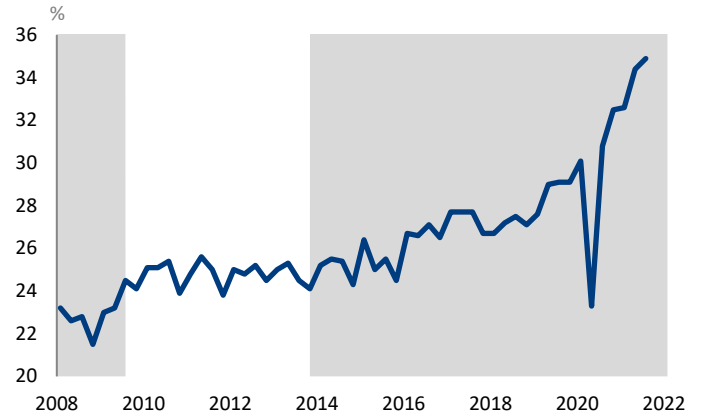
Labour

Labour force participation



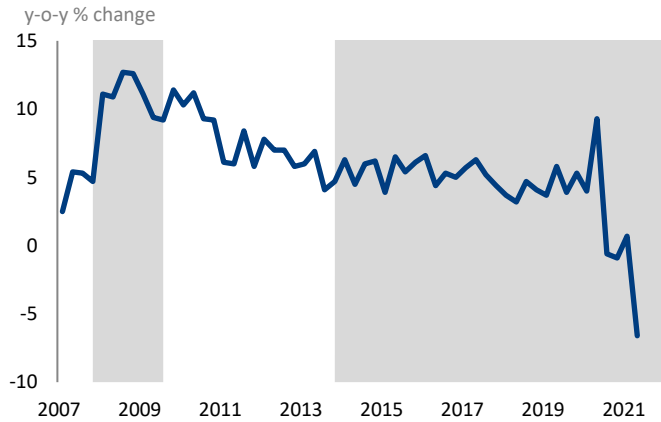
Source: Stats SA

Unemployment rate



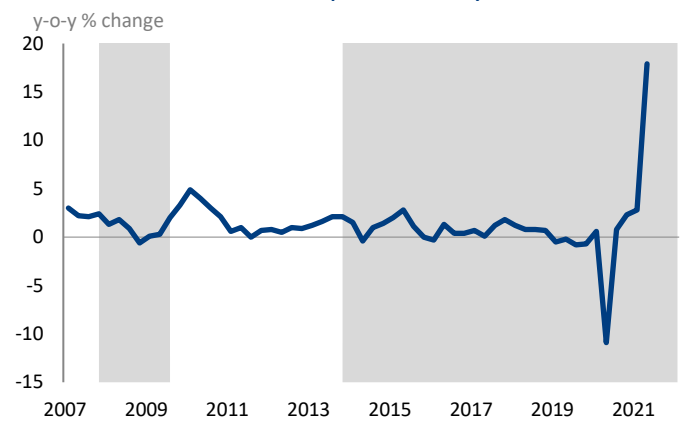
Source: Stats SA

Unit labour cost



Source: SARB

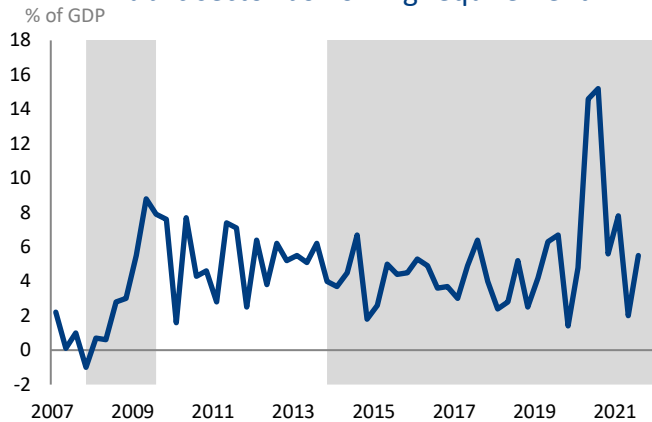
Labour productivity



Source: SARB

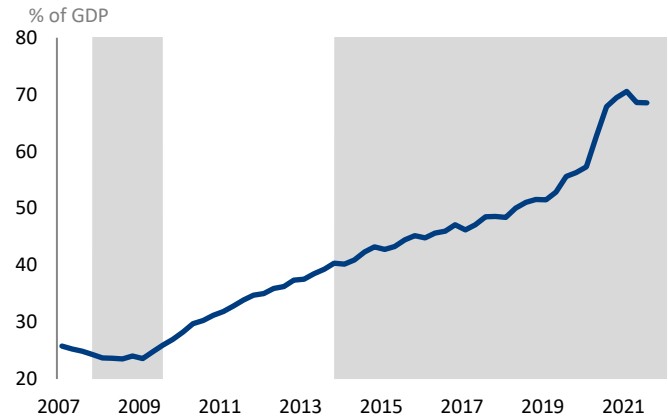
Government

Public sector borrowing requirement



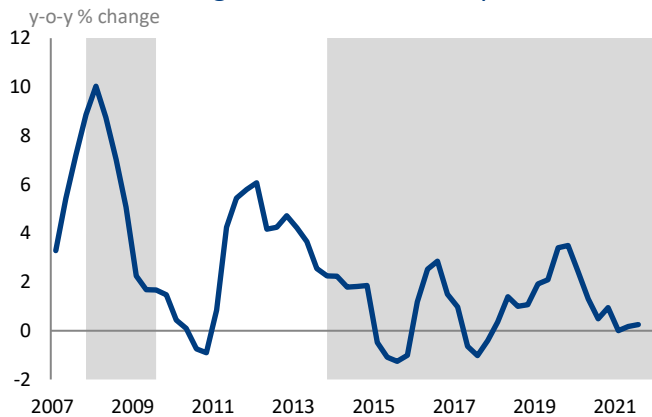
Source: SARB

Gross government debt



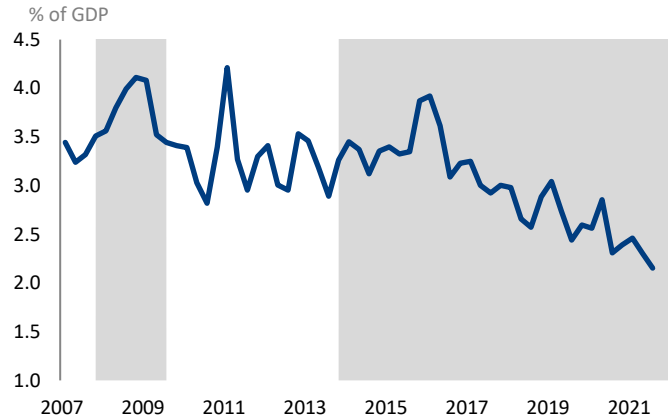
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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