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

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## Highlights

### Consumer prices edge marginally higher in December

Headline consumer prices, as measured by the Consumer Price Index (CPI), accelerated to 4.7% year-on-year (y-o-y) in December 2017, from 4.6% in November. Despite the slight uptick, inflation remains well below the upper end of the South African Reserve Bank's (SARB) target range of 3-6%. The largest contributor during December was the transport sector, which with annual growth of 6.4%, added 0.9 percentage points (%pts) to the total. The rise in transport costs was primarily due to the 71c/litre hike in the petrol price in early-December. In all, inflation for the full **year 2017** rose by 5.3%, noticeably lower than the 6.3% registered in 2016. Furthermore, consumer inflation is set to remain relatively contained over the near-term, especially if the rand continues to strengthen.

### SARB leaves repo rate unchanged at 6.75%

The Monetary Policy Committee (MPC) of the SARB decided on 18 January to keep the repo rate unchanged at 6.75%. The prime interest rate thus remained at 10.25%. This decision was in line with consensus expectations. In the accompanying statement, the SARB noted that the upside risks to the inflation outlook have subsided. As such, the inflation forecast was downwardly revised to 4.9% in 2018 and 5.4% in 2019. In addition, the SARB also lifted their forecast for real GDP growth to 1.4% and 1.6% in 2018 and 2019 respectively. With many key risk events over the next few months, such as the national budget and credit rating announcements, the SARB is signalling a hesitancy to cut the policy interest rate at this stage.

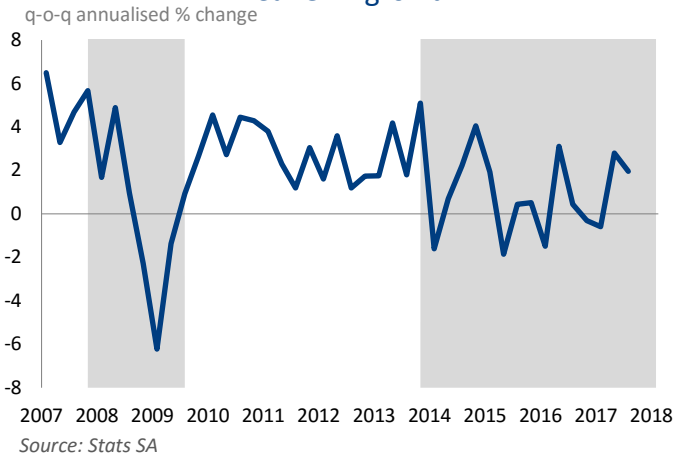
### Manufacturing output up in November, while mining output contracted slightly

**Manufacturing** output ticked up by a seasonally adjusted 0.9% month-on-month (m-o-m) in November, which translates to 0.5% growth on a 3-month basis. This means that, barring a big drop in output in December, the sector should contribute positively to GDP growth in 2017Q4.

**Mining** production increased by an annual 6.5% in November, up from 5.2% in October. The main contributor was Platinum Group Metals (PGMs) which, with growth of 12.3%, added 2.8 percentage points (%pts) to the total. However, this growth was mainly the result of improvements in the first half of 2017 from a low base at the end of 2016. The seasonally adjusted estimate for the three months ending November showed a 1.1% decline.

# Core indicators

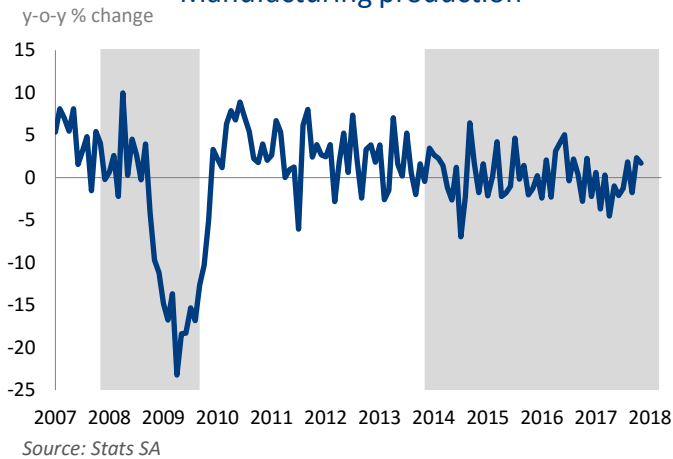
## Real GDP growth



## CPI inflation



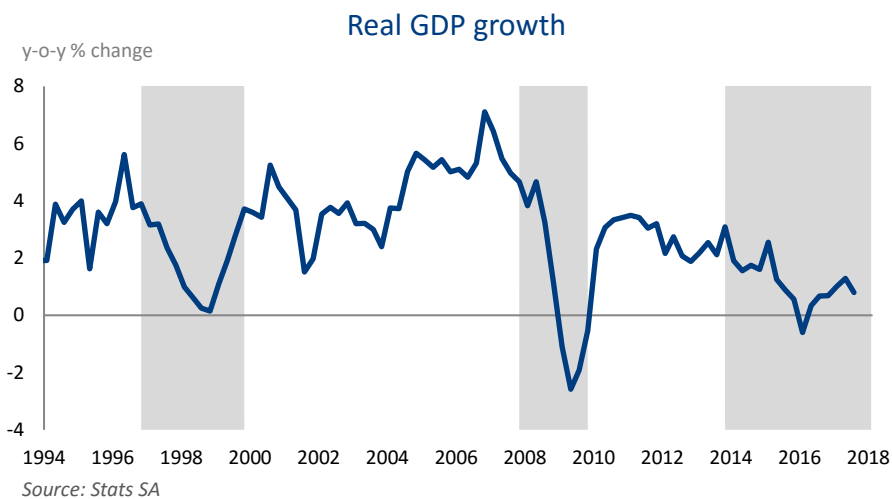
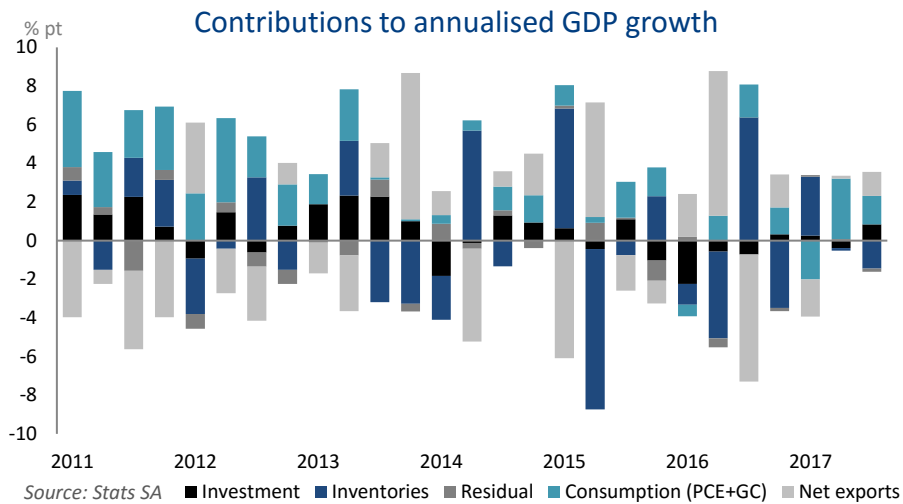
## Manufacturing production



## Interest rates

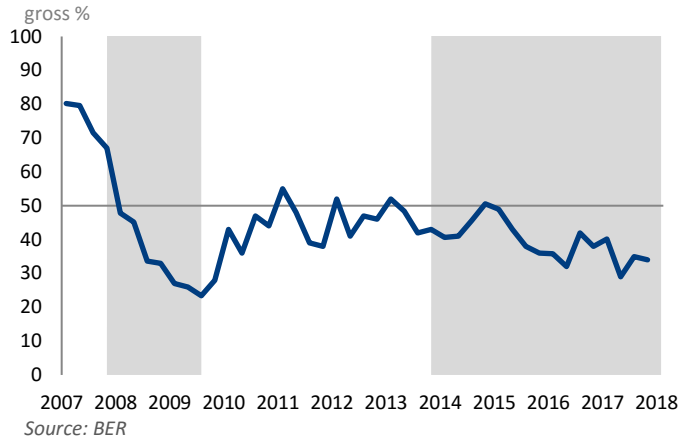


# GDP growth

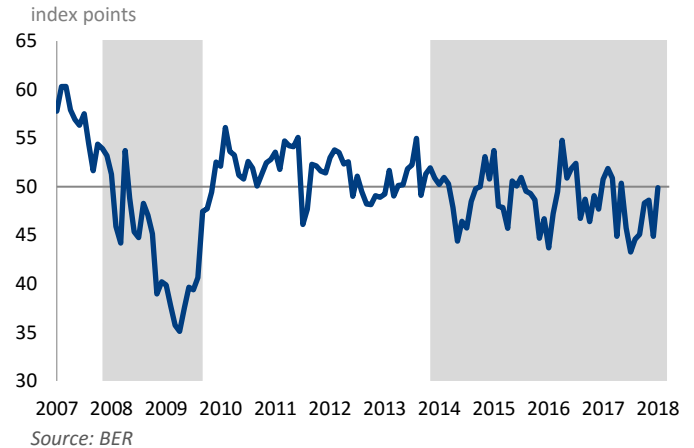


# Business environment

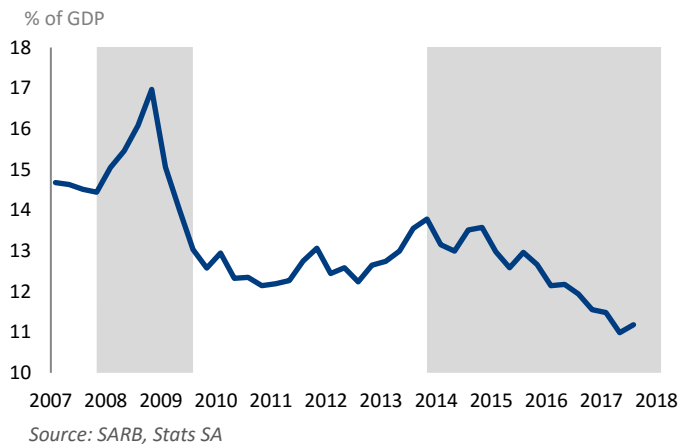
## RMB/BER Business Confidence Index



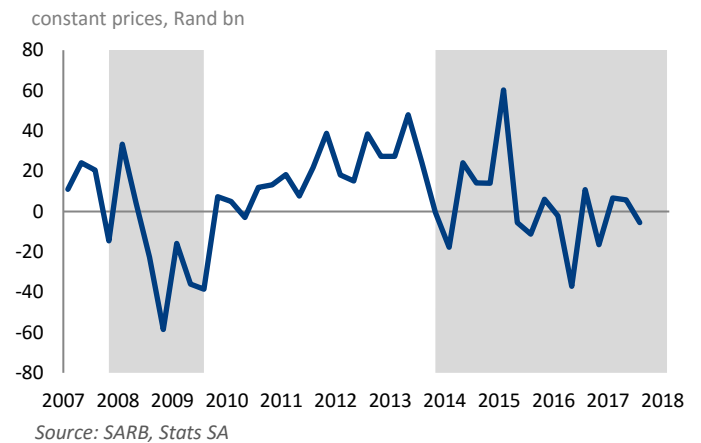
## Absa Purchasing Managers' Index



## Private fixed investment

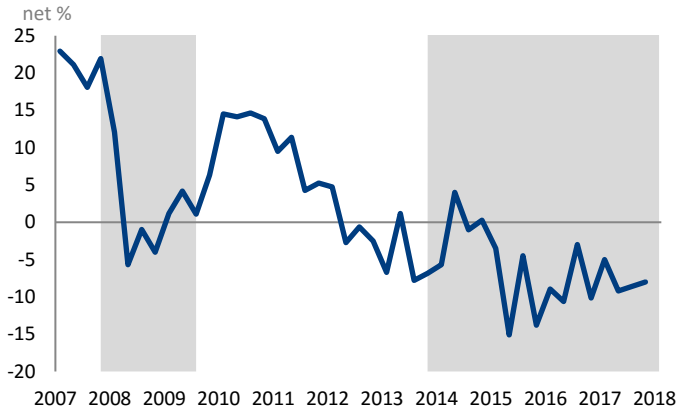


## Changes in inventories



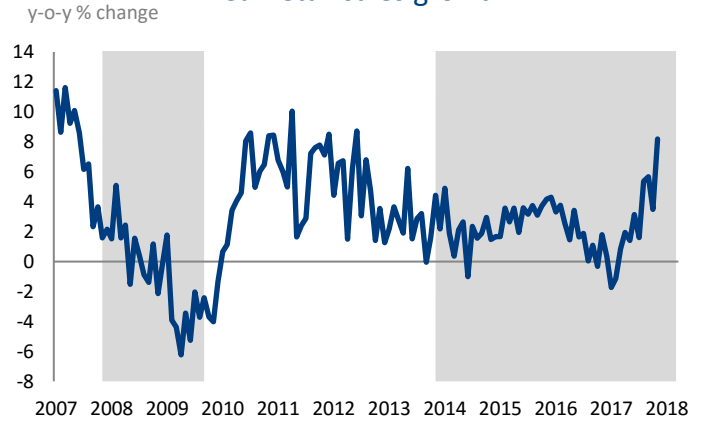
# Household consumption

## FNB/BER Consumer Confidence Index



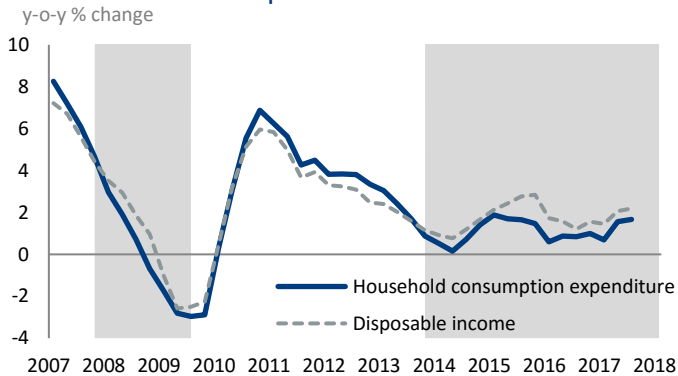
Source: BER

## Real retail sales growth



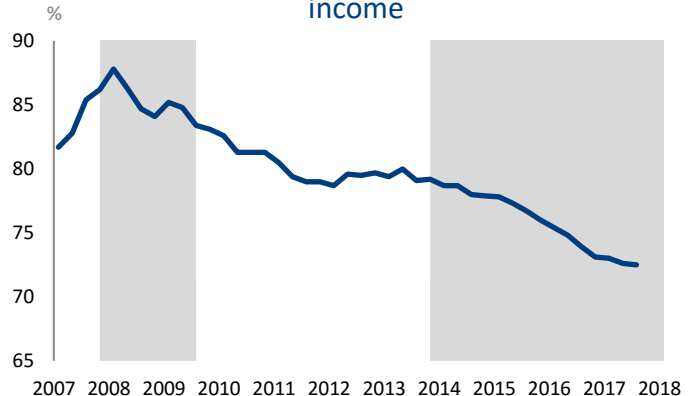
Source: Stats SA

## Household consumption and real disposable income



Source: SARB, Stats SA

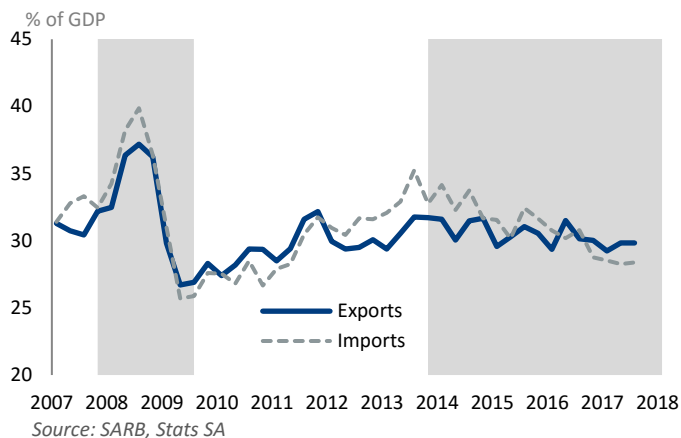
## Ratio of household debt to disposable income



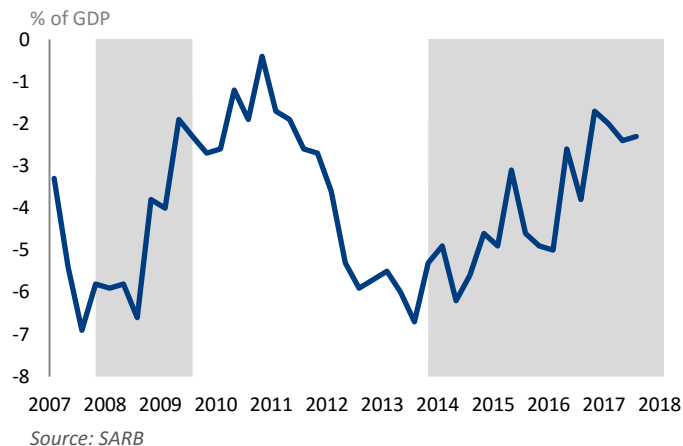
Source: SARB

# International trade

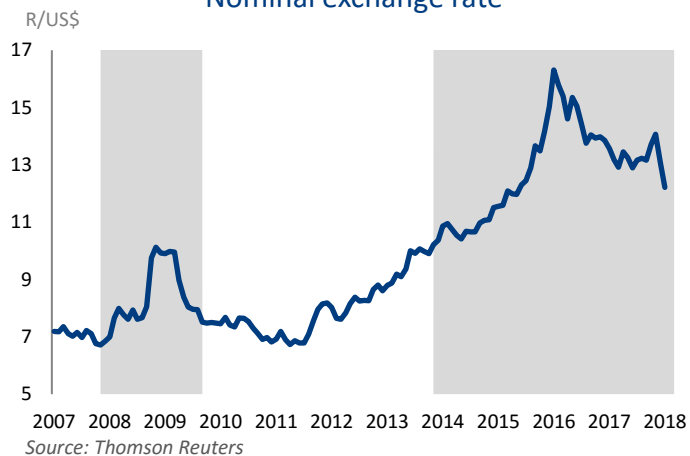
## Imports and exports



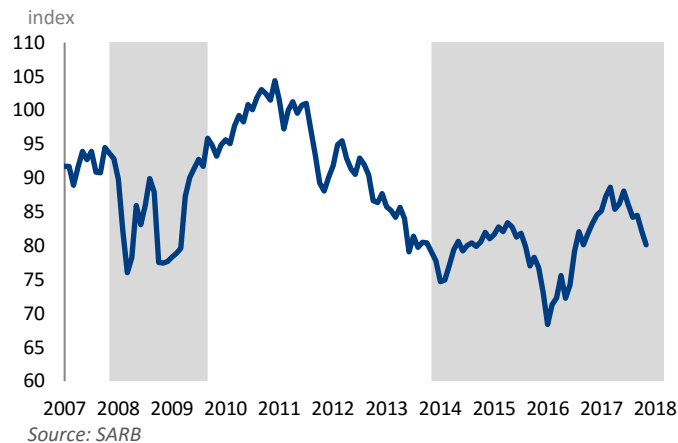
## Current account balance



## Nominal exchange rate

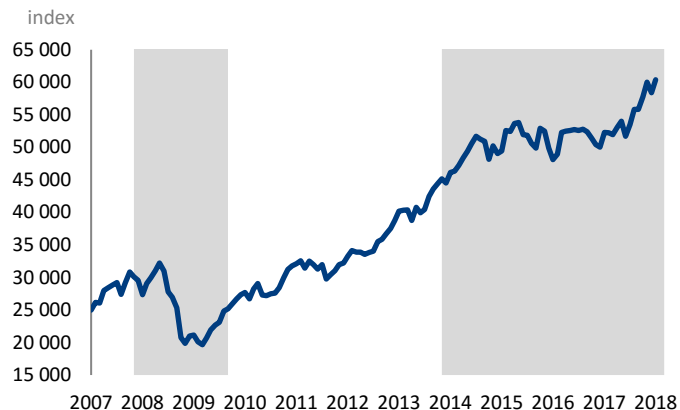


## Real effective exchange rate of the Rand



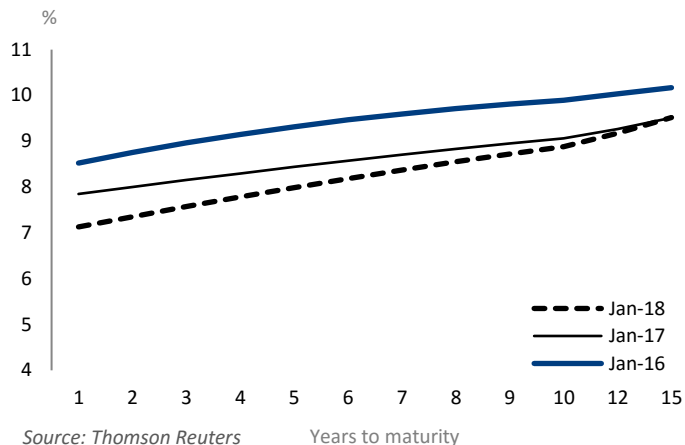
# Financial markets

## JSE all share index



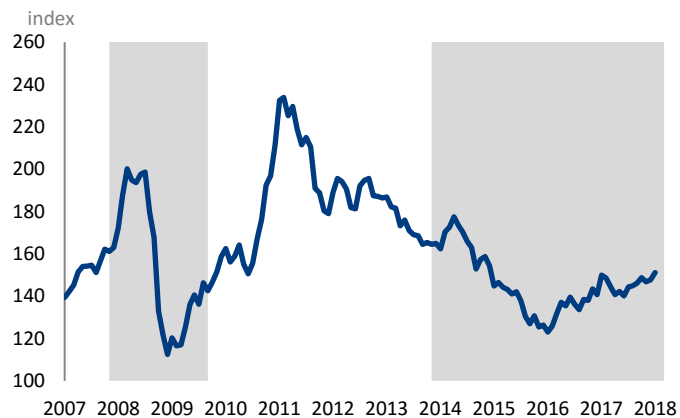
Source: Thomson Reuters

## Yield curve comparisons



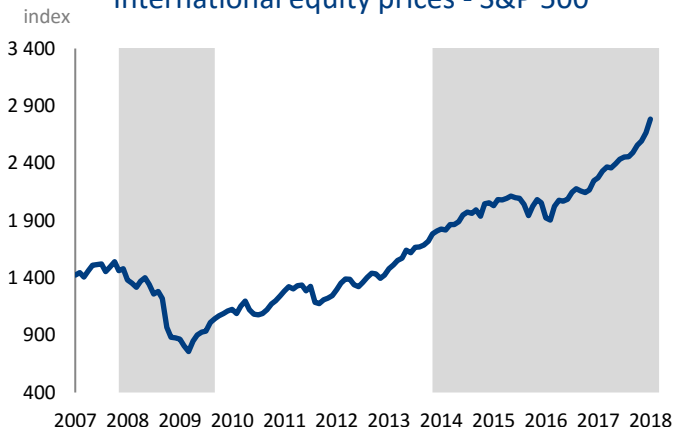
Source: Thomson Reuters

## Economist all commodities index



Source: Economist

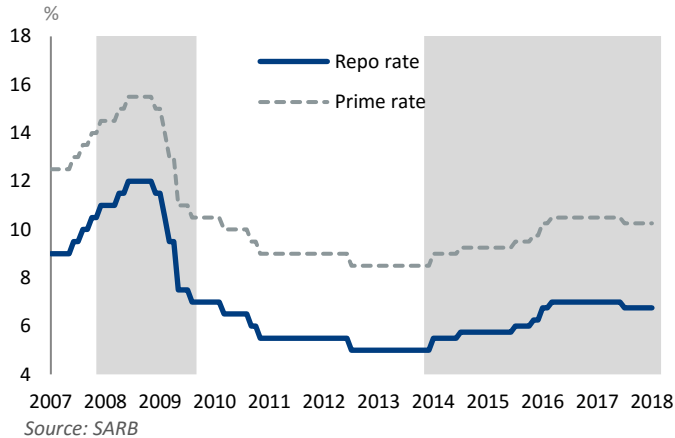
## International equity prices - S&P 500



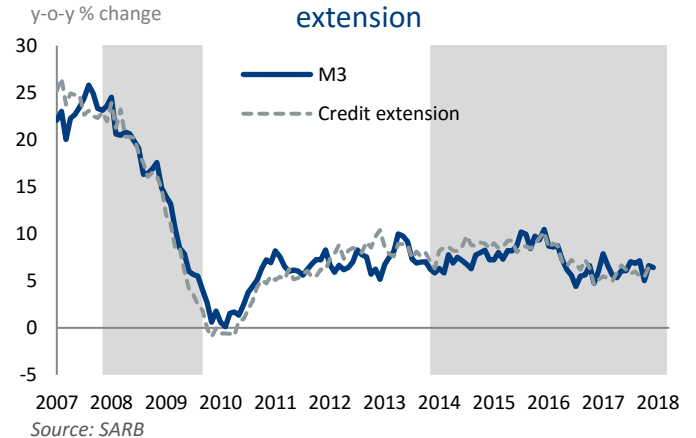
Source: Thomson Reuters

# Money and prices

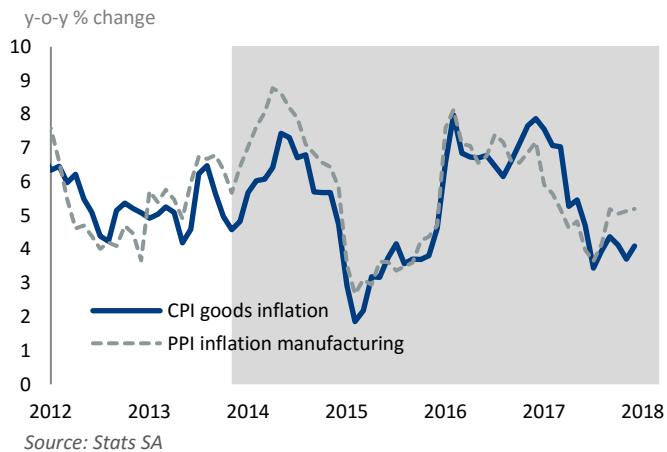
## Repo and prime interest rate



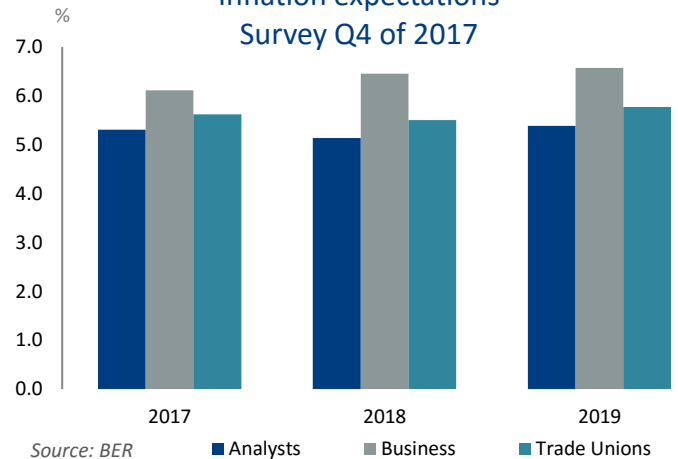
## M3 monetary aggregates and credit extension



## Consumer and producer prices



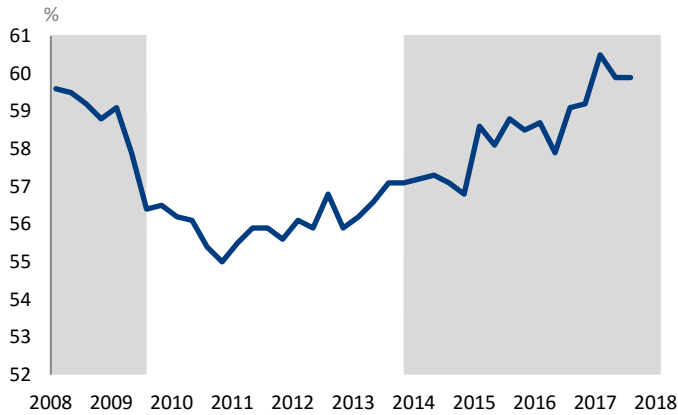
## Inflation expectations Survey Q4 of 2017





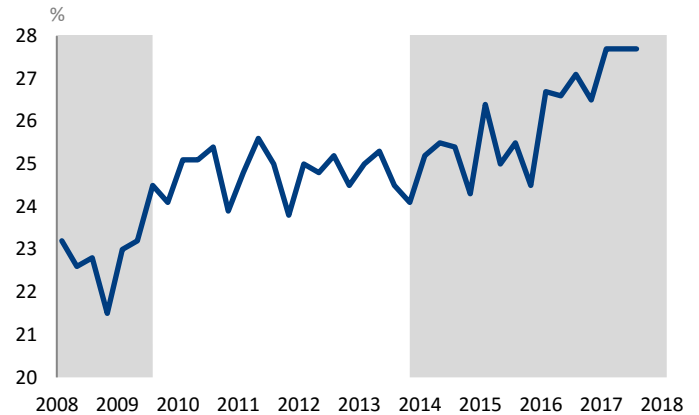
# Labour

## Labour force participation



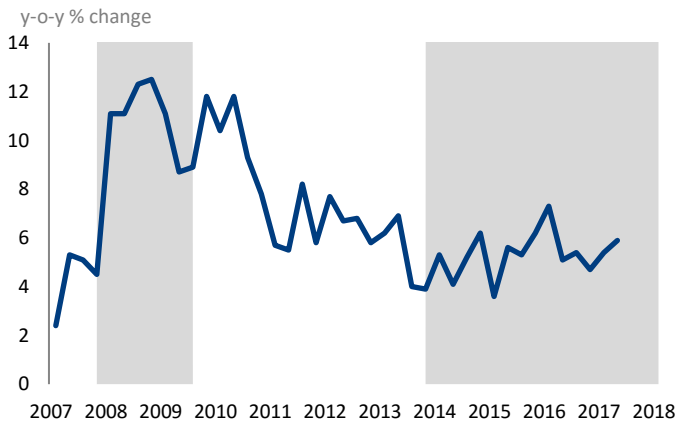
Source: Stats SA

## Unemployment rate



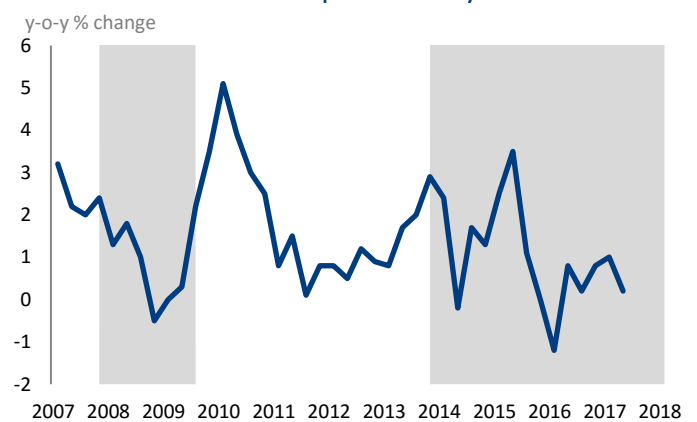
Source: Stats SA

## Unit labour cost



Source: SARB

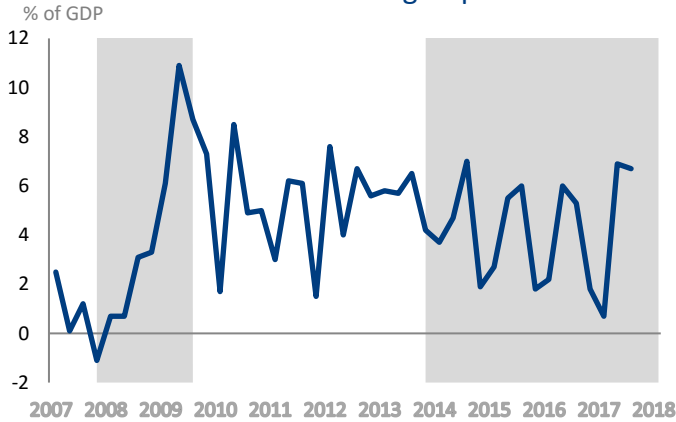
## Labour productivity



Source: SARB

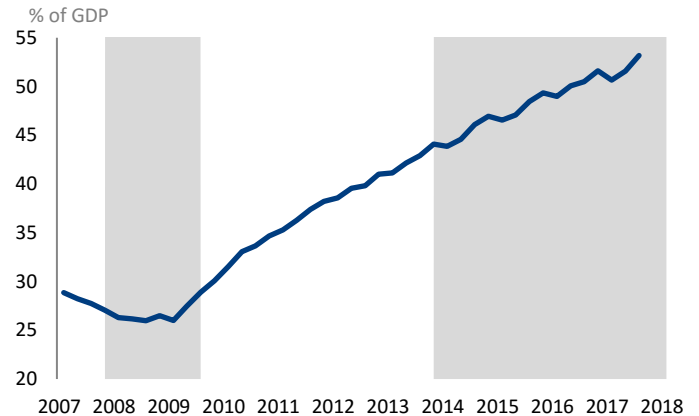
# Government

## Public sector borrowing requirement



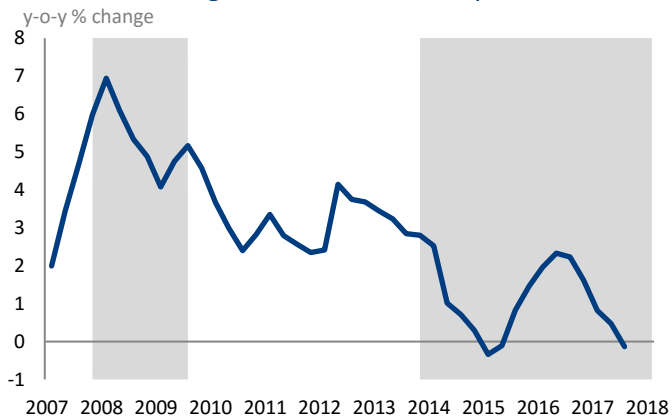
Source: SARB

## Gross government debt



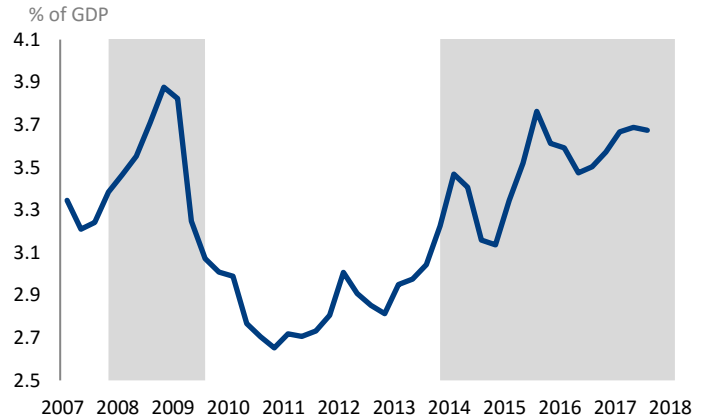
Source: SARB

## Real government consumption



Source: SARB, Stats SA

## Government fixed investment



Source: SARB, Stats SA

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