

Contents:

Highlights

Core indicators

GDP growth

Business environment

Household consumption

International trade

Financial markets

Money and prices

Labour

Government

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

Compiled by Nicolaas vd Wath
Email: wnwath@sun.ac.za
Phone: 021 808 9755

Highlights

Higher fuel prices lift inflation in July

Headline consumer inflation accelerated by a more-than-expected 0.8% m-o-m in July, up from 0.7% in June. This is the fastest monthly gain since February 2017. As a result, yearly inflation accelerated from 4.6% in June to 5.1% in July – the biggest increase since June 2017. Inflation was boosted by the housing and utilities (5.2% y-o-y) and transport (10% y-o-y) categories which added 1.3 and 1.4 percentage points (pts) respectively. Staying on transport, fuel inflation accounted for the bulk of the annual rise. This is against the backdrop of higher petrol prices which, in Gauteng, were as high as R16.02/litre in July 2018 compared to R12.86 in July 2017. Core inflation came in at 4.3% y-o-y, in line with expectations, from 4.2% in June.

GDP enters technical recession in Q2

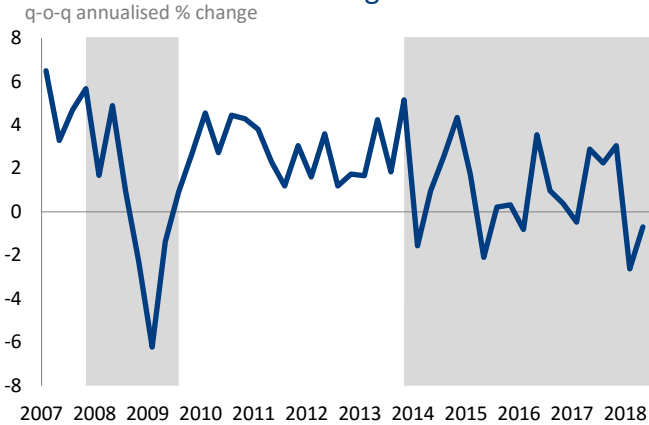
Statistics South Africa reported that GDP contracted by 0.7% during the second quarter, on a seasonally adjusted and annualised (saa) basis. This contraction follows on a larger contraction of 2.6% in the first quarter, implying that the SA economy entered a technical recession. Among the economic sub sectors, the contraction was most severe in agriculture, trade and transport. Only the mining and finance sectors were able to register significant positive growth. From a demand side perspective, negative growth was mainly the result of a large drop in inventory levels, while household consumption levels also deteriorated. In contrast, foreign demand remained robust and resulted in exports growing by 13.7% (saa) in the second quarter.

Unemployment rate increased in Q2

The official unemployment rate rose to 27.2% during 2018Q2, up from 26.7% in Q1. Worryingly, the youth (15-24 year olds) unemployment rate rose to 53.7% in Q2. The economy created 188 000 jobs on an annual basis (1.2% y-o-y), mainly in the formal community and social services sector, but lost 90 000 jobs compared to Q1 (-0.5% q-o-q). The quarterly loss stemmed mainly from the formal manufacturing, trade and community and social services sectors. With the working age population growing by close to 2% per year, much stronger overall economic growth than the 1% to 2% currently pencilled in for 2018/19 is needed to alleviate the high levels of unemployment in any meaningful way.

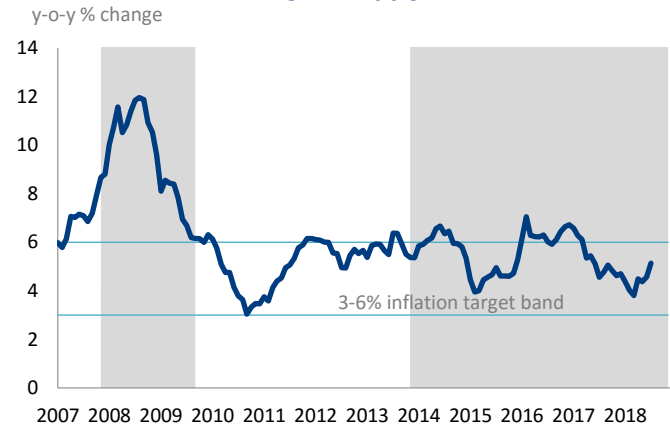
Core indicators

Real GDP growth



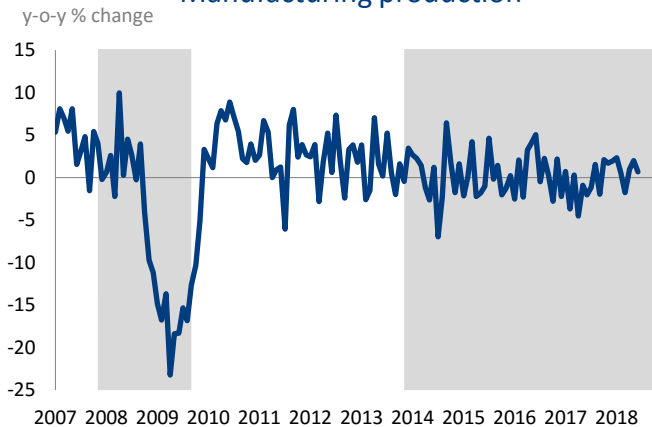
Source: Stats SA

CPI inflation



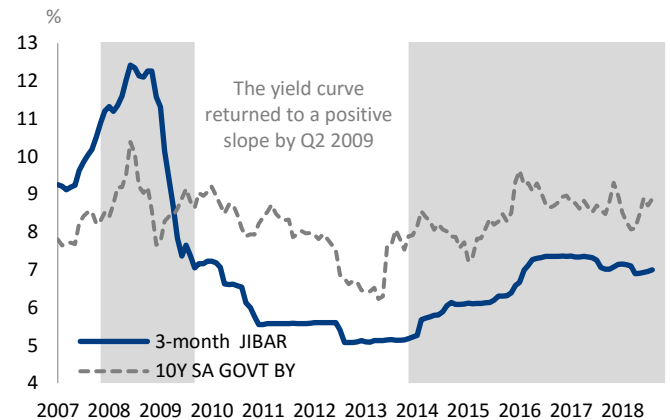
Source: Stats SA

Manufacturing production



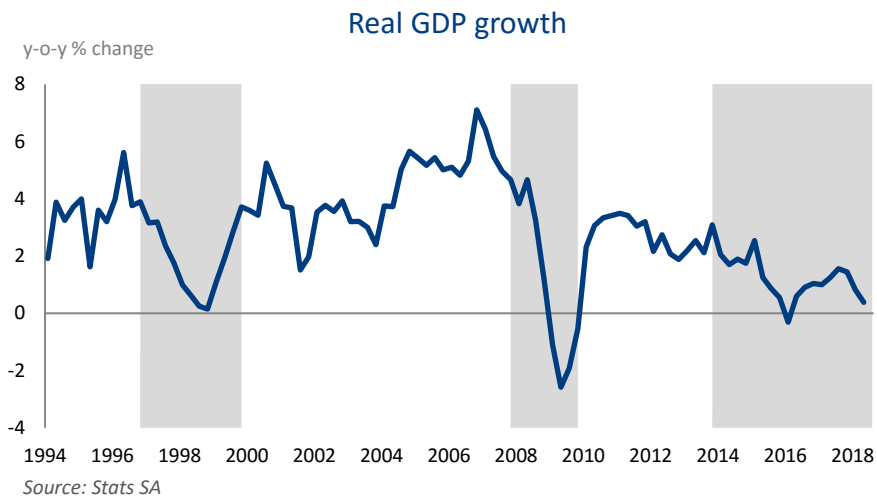
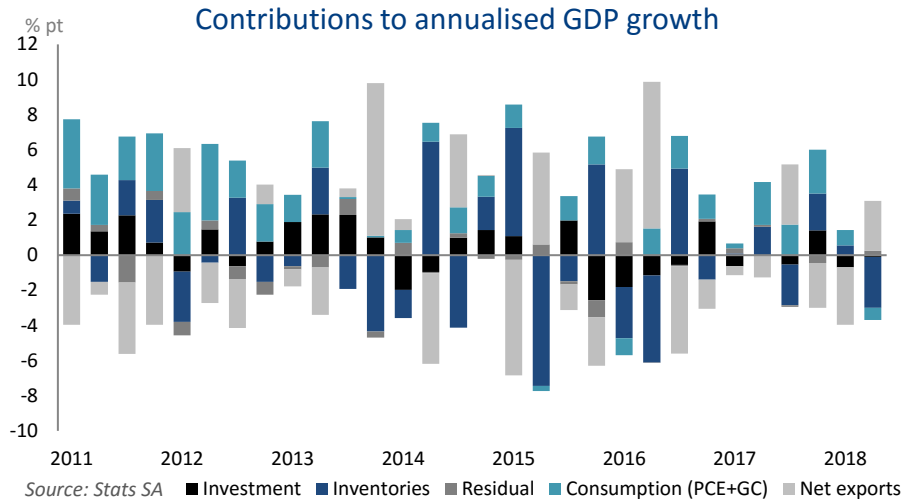
Source: Stats SA

Interest rates



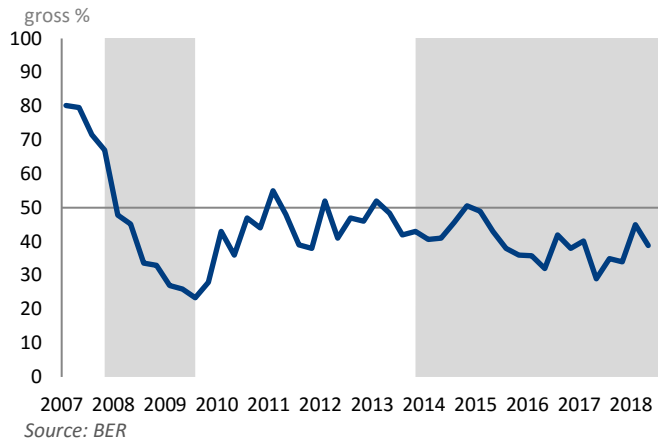
Source: Thomson Reuters

GDP growth

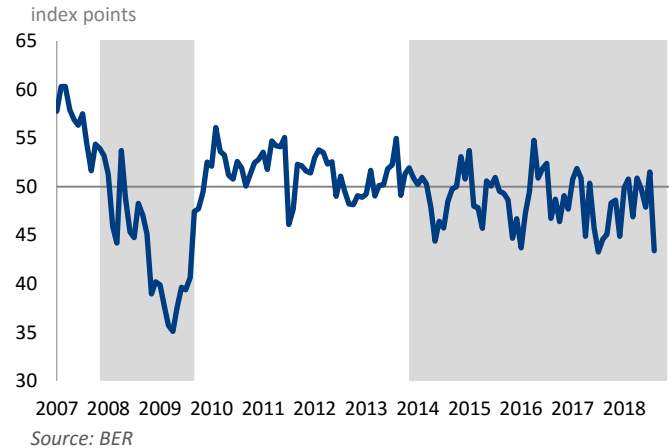


Business environment

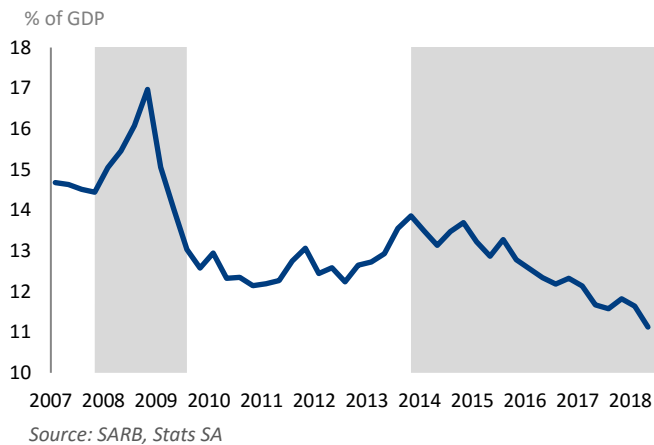
RMB/BER Business Confidence Index



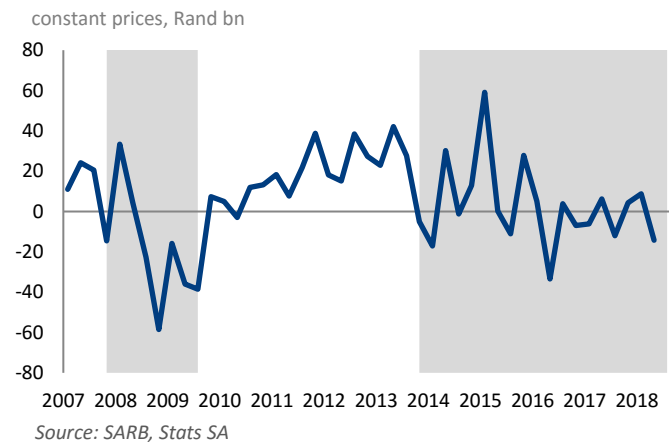
Absa Purchasing Managers Index



Private fixed investment

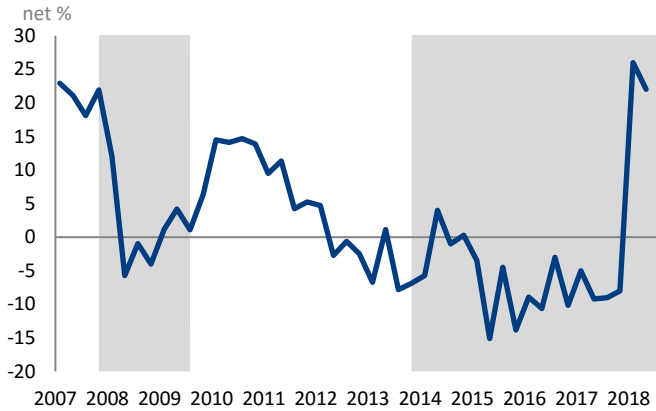


Changes in inventories



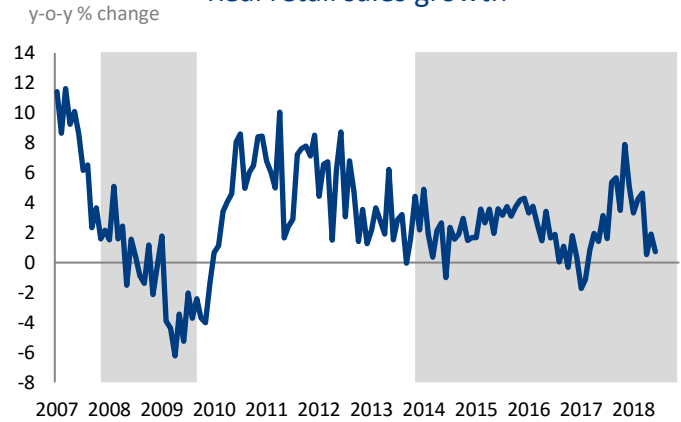
Household consumption

FNB/BER Consumer Confidence Index



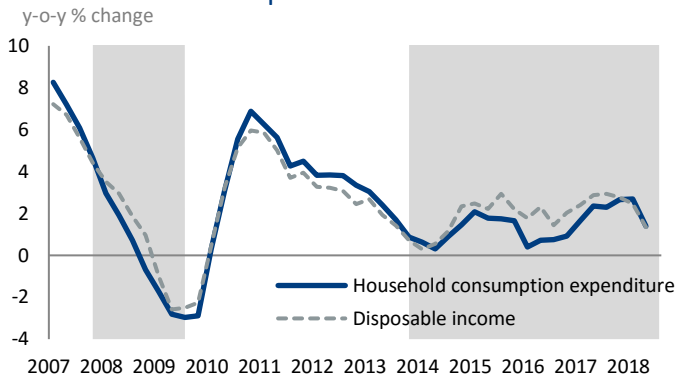
Source: BER

Real retail sales growth



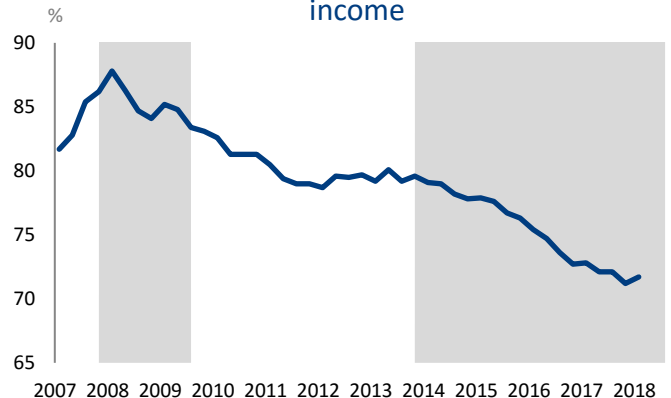
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

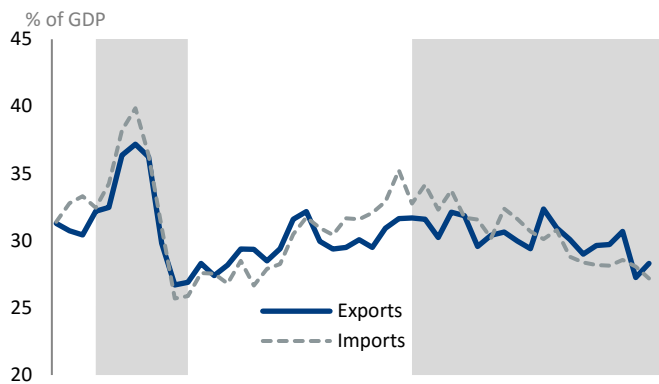
Ratio of household debt to disposable income



Source: SARB

International trade

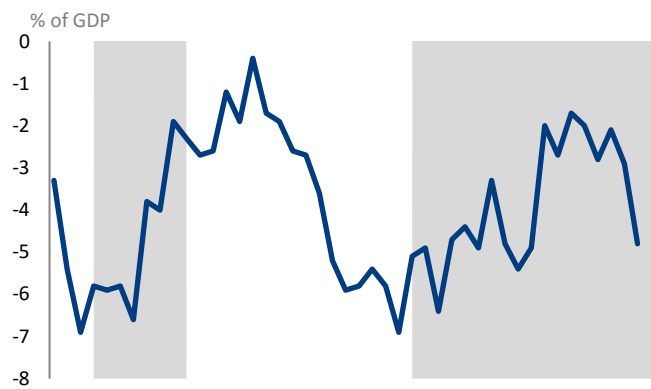
Imports and exports



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: SARB, Stats SA

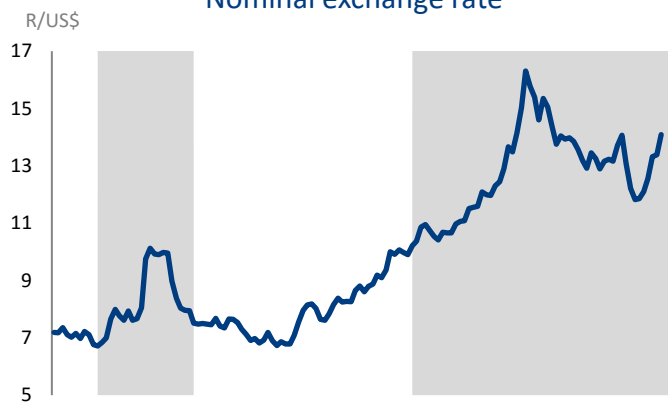
Current account balance



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: SARB

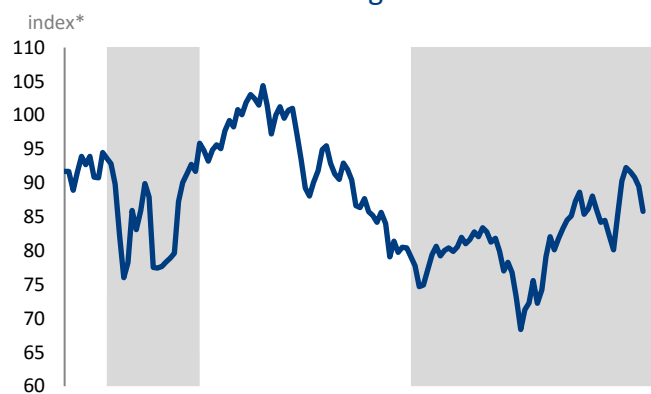
Nominal exchange rate



2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: Thomson Reuters

Real effective exchange rate of the Rand

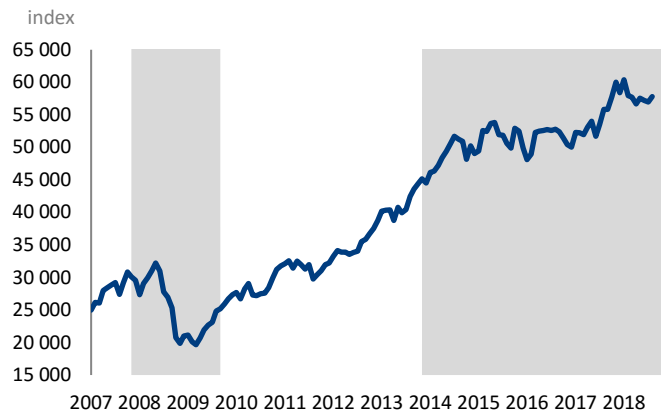


2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Source: SARB *higher values denote a stronger rand

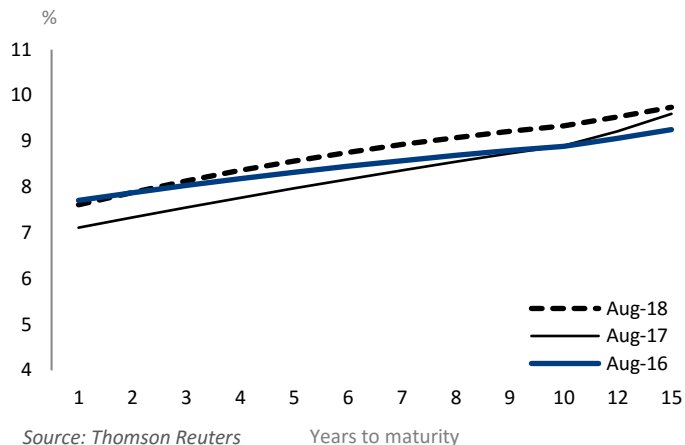
Financial markets

JSE all share index



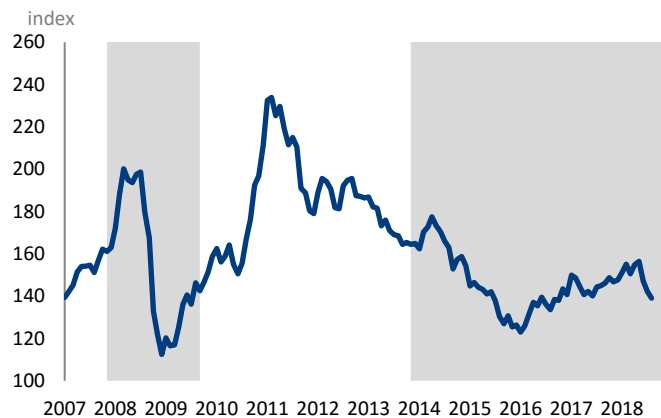
Source: Thomson Reuters

Yield curve comparisons



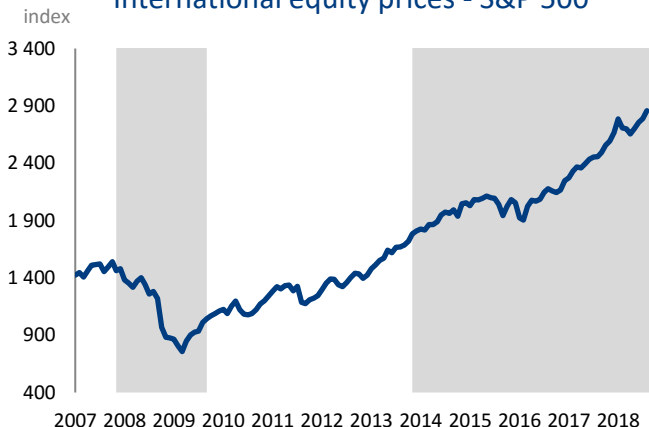
Source: Thomson Reuters

Economist all commodities index



Source: Economist

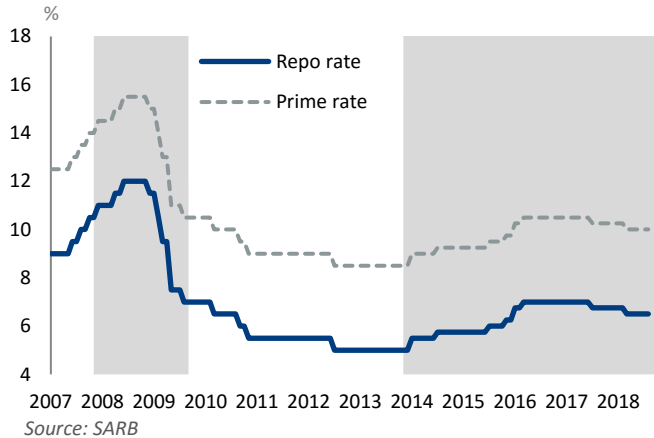
International equity prices - S&P 500



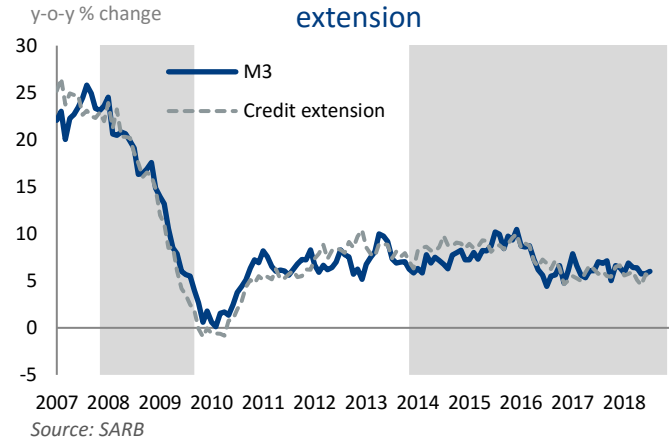
Source: Thomson Reuters

Money and prices

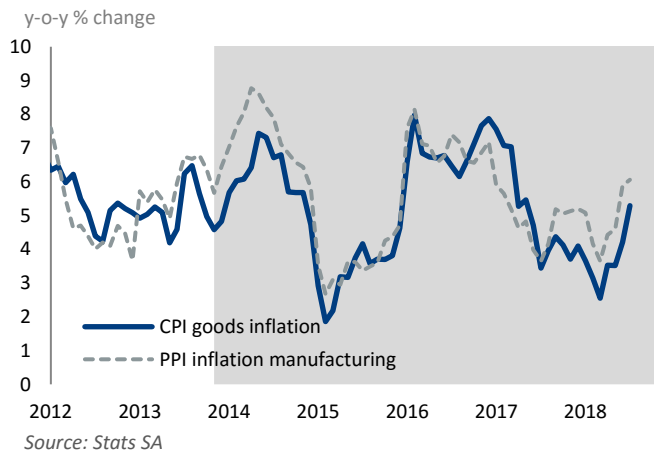
Repo and prime interest rate



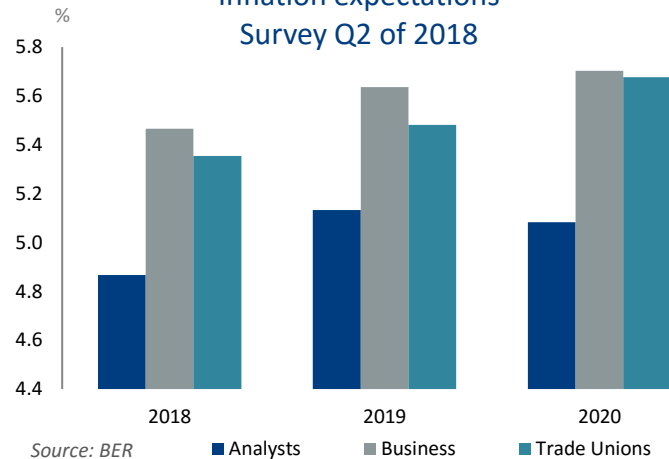
M3 monetary aggregates and credit extension



Consumer and producer prices

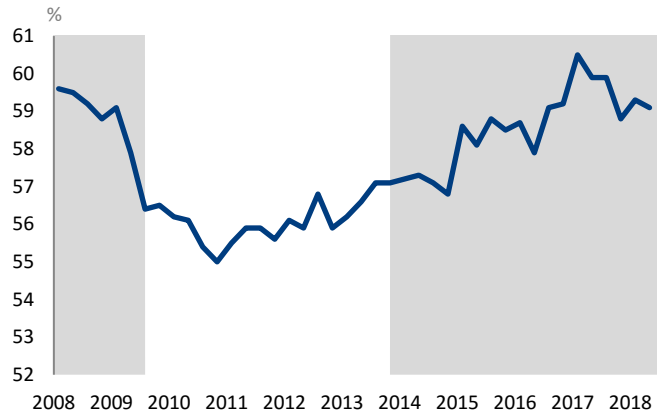


Inflation expectations Survey Q2 of 2018



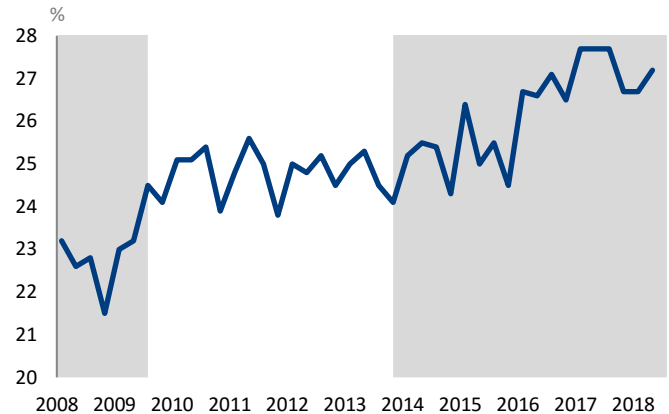
Labour

Labour force participation



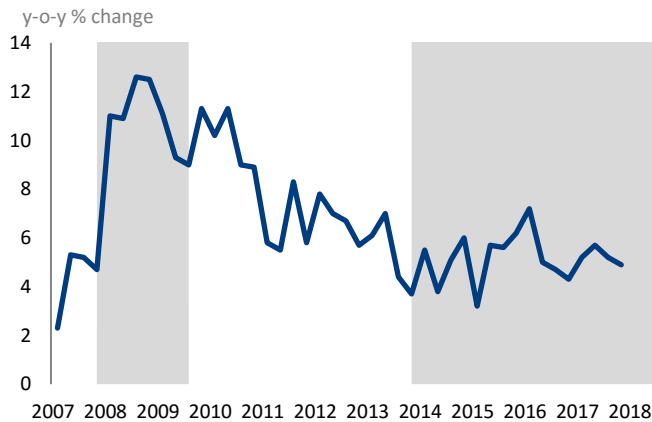
Source: Stats SA

Unemployment rate



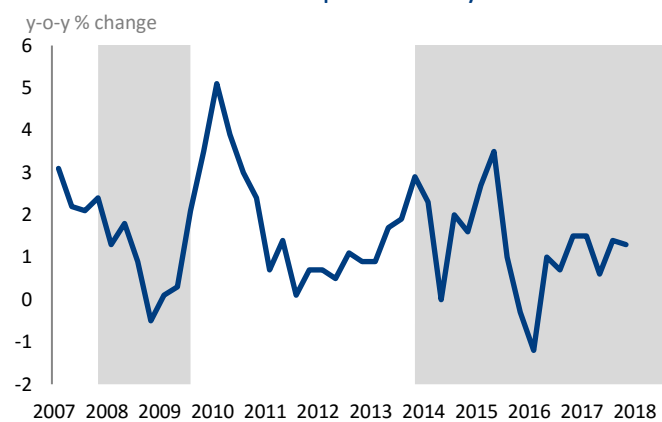
Source: Stats SA

Unit labour cost



Source: SARB

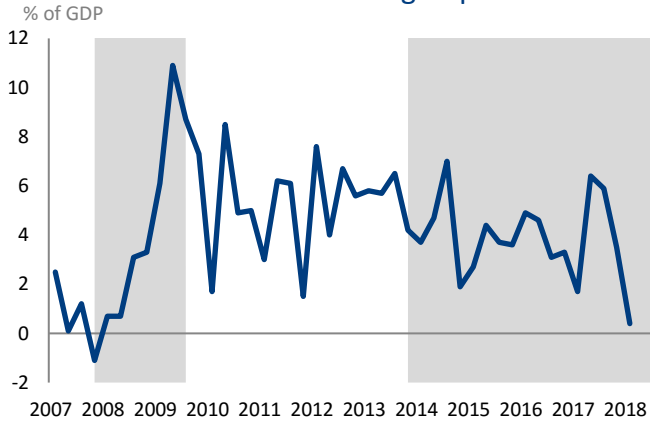
Labour productivity



Source: SARB

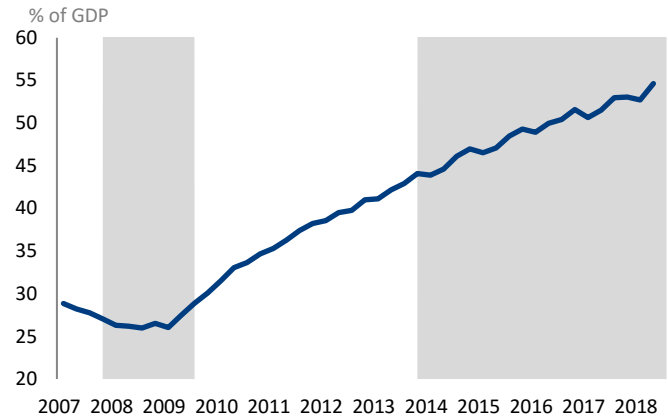
Government

Public sector borrowing requirement



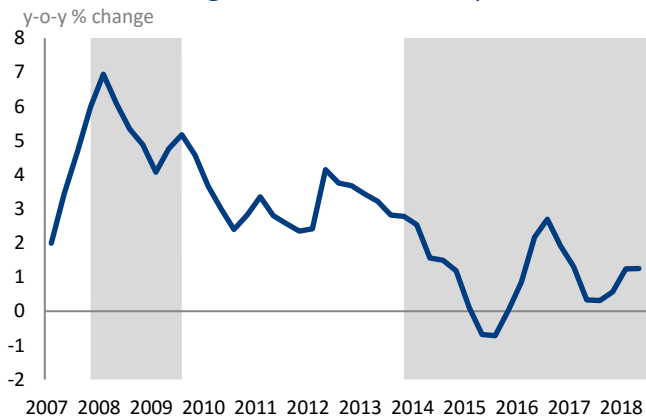
Source: SARB

Gross government debt



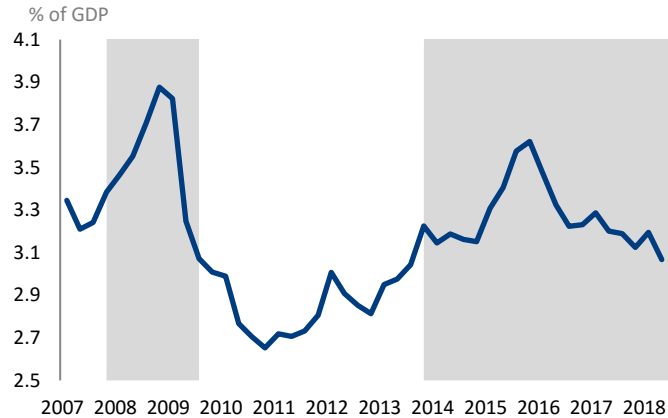
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

Copyright & Disclaimer

This publication is confidential and only for the use of the intended recipient. Copyright for this publication is held by Stellenbosch University.

Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.