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Highlights

Annual CPI inflation stable at 6.6% in June

After accelerating for five consecutive months, headline consumer price inflation remained flat at 6.6% year-on-year (y-o-y) in June. This was slightly below market expectations. On a monthly basis, prices increased by 0.3%. The main contributor to the monthly figure was the housing and utilities category, which added 0.2 percentage points (%pts). Both actual and owner's equivalent rentals were surveyed during June, with the former rising by 1.5% month-on-month (m-o-m) and the latter by 1.3% m-o-m. Monthly food price inflation continued to moderate, although at 9.2% y-o-y, annual inflation in this category remains elevated. Core inflation (which strips out food, petrol and energy prices) increased marginally to 5.6% y-o-y from 5.5% in May. There is some evidence of increased pass-through from the weaker rand, with prices of durable and semi-durable goods with high import content increasing over recent months.

MPC hikes repo rate on the back of inflation fears

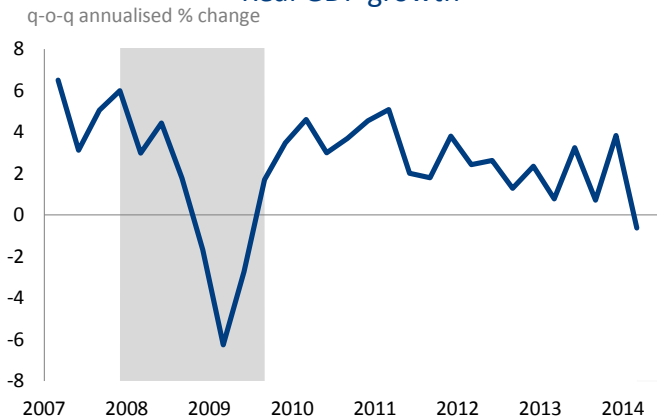
In July the Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) announced that the repo rate will increase from 5.50% to 5.75%. The prime lending rate is also higher at 9.25%. It was the second time this year that the MPC hiked interest rates, following the 50 basis point (bps) increase in January. Since January, SARB Governor Marcus has been clear that South Africa is in an interest rate hiking cycle, and that the MPC may not move by the same magnitude each time. Although analysts were divided beforehand, the 25bps increase did not really catch markets off guard. The hike in the repo rate was primarily due to significant upside inflation risks, despite weak economic growth. The SARB also adjusted its inflation forecast slightly higher to peak at 6.6% in 2014Q4.

Retail sales accelerate in May

According to Statistics South Africa, the growth in retail trade sales accelerated from 2.1% y-o-y in April to 2.4% in May. Although growth was higher than expected, the figure remains quite low. Indeed, seasonally adjusted sales decreased by 0.8% in the three months to May compared with the previous three-month period. General dealers contributed 1 percentage point (%pt) to the overall May figure, posting growth of 2.6% y-o-y. This was followed by a 0.9 %pts contribution by retailers of textiles, clothing, footwear and other leather goods, courtesy of 3.9% y-o-y growth.

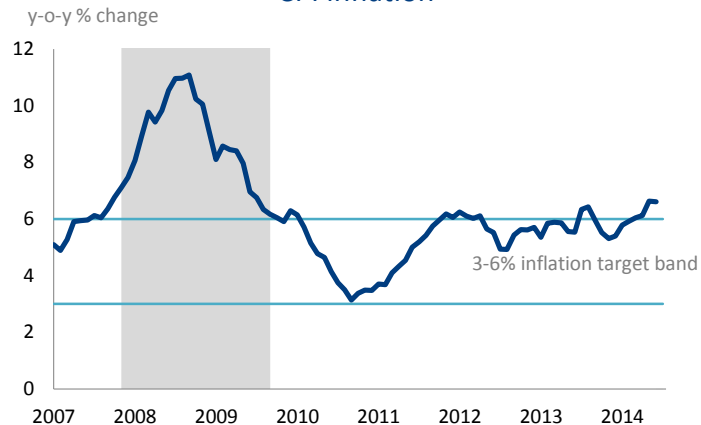
Core indicators

Real GDP growth



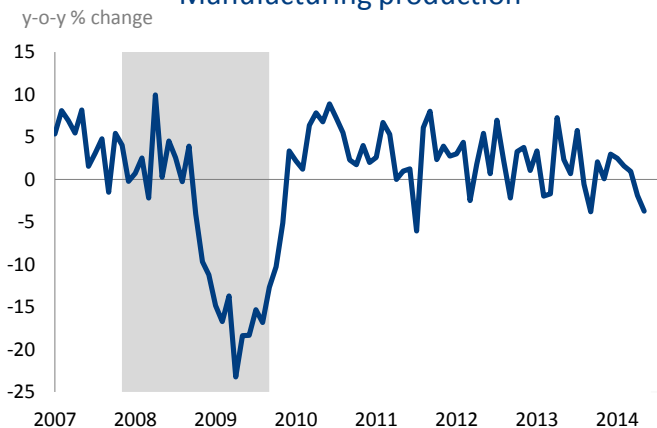
Source: SARB

CPI inflation



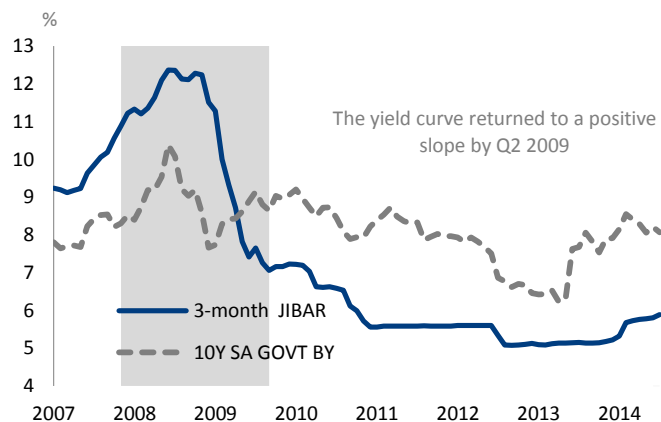
Source: StatsSA

Manufacturing production



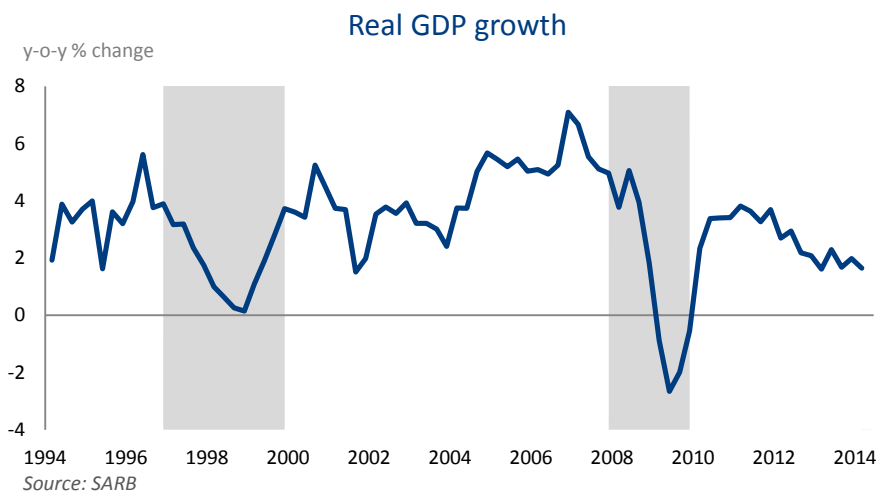
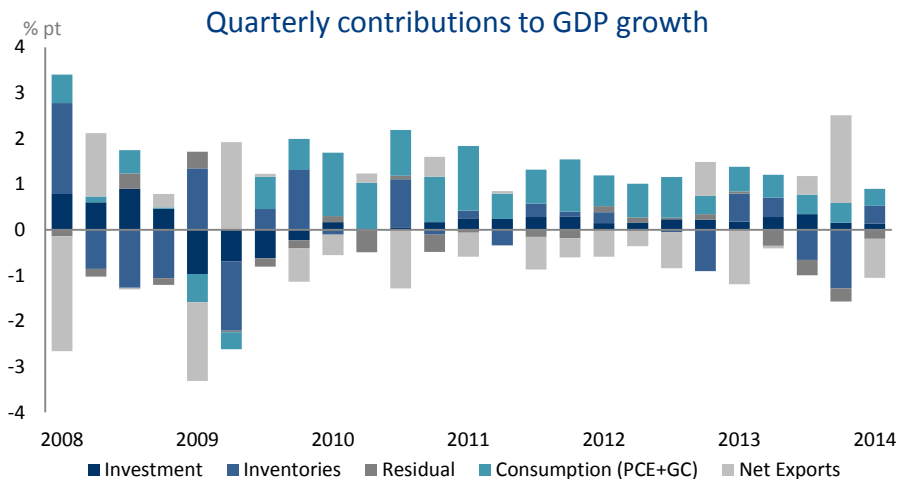
Source: StatsSA

Interest rates



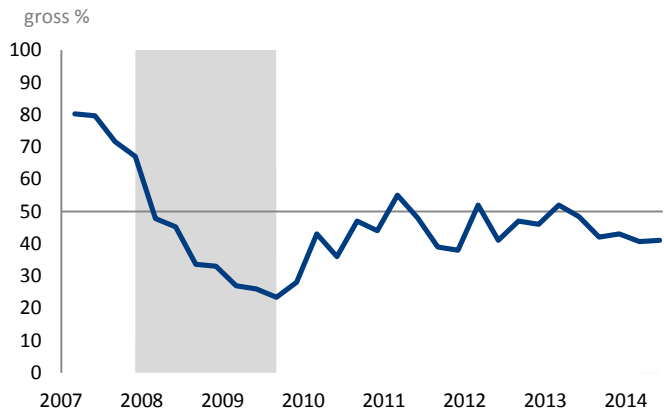
Source: Thomson Reuters

GDP Growth



Business Environment

RMB/BER Business Confidence Index



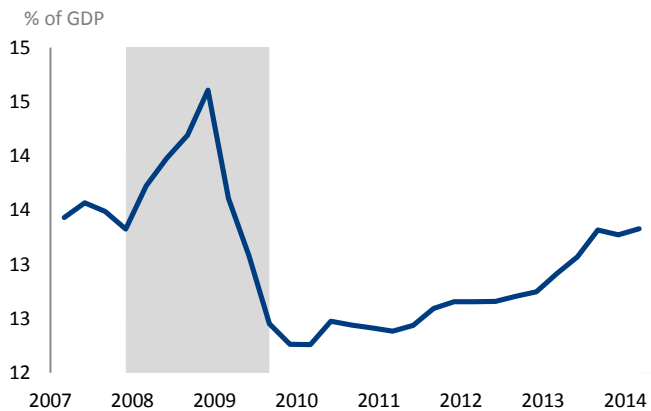
Source: BER

Kagiso Purchasing Managers Index™



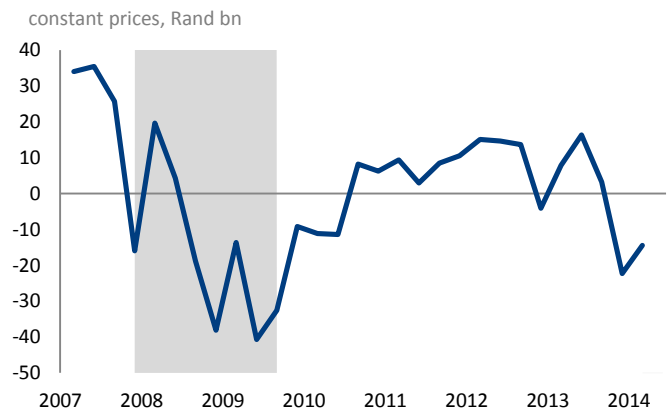
Source: BER

Private fixed investment



Source: SARB

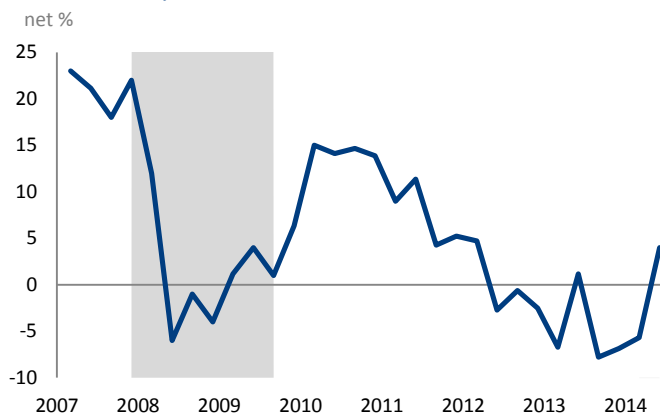
Changes in inventories



Source: SARB

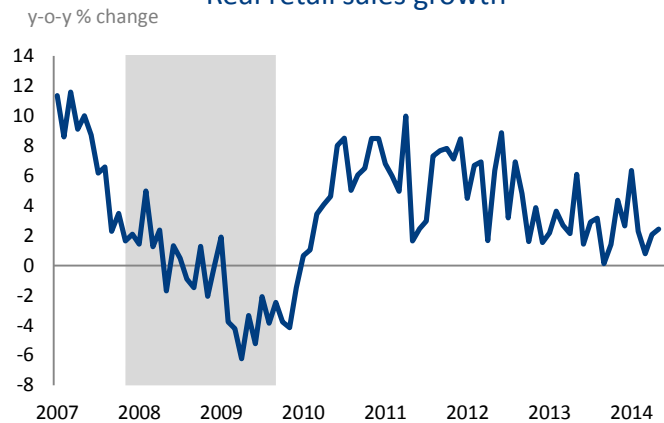
Household consumption

FNB/BER Consumer confidence index



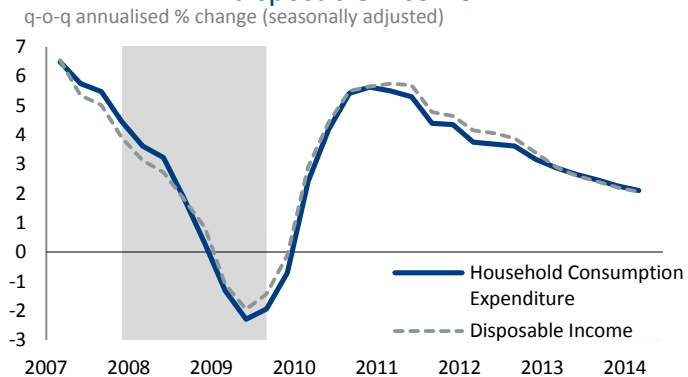
Source: BER

Real retail sales growth



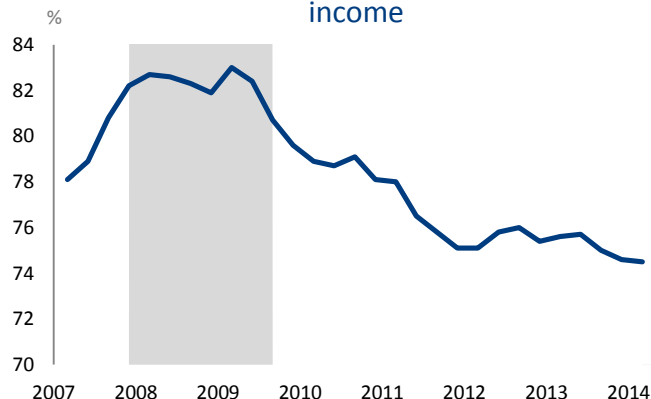
Source: StatsSA

Household consumption and real disposable income



Source: SARB

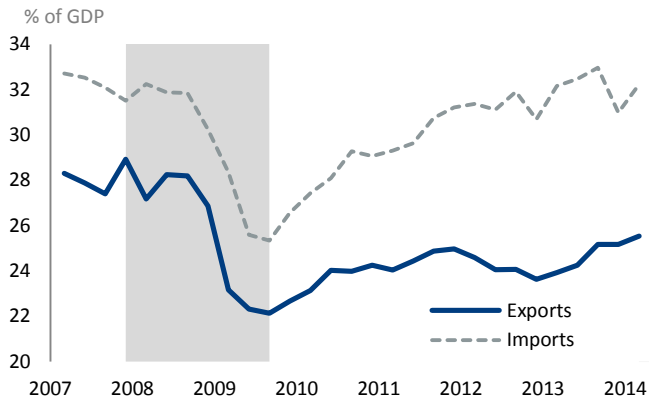
Ratio of household debt to disposable income



Source: SARB

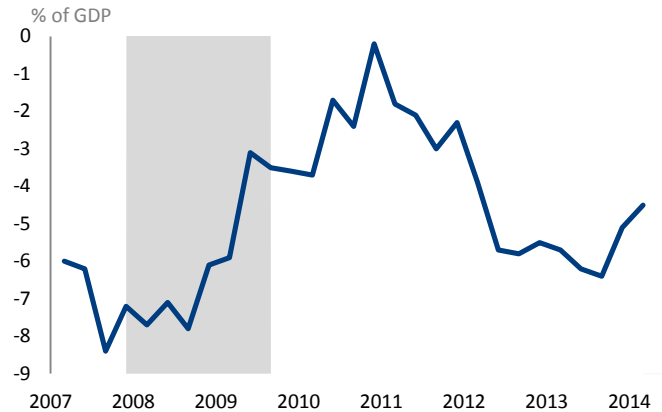
International trade

Imports and exports



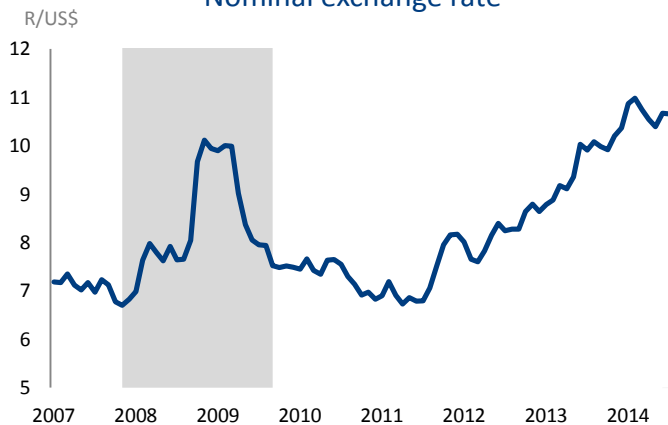
Source: SARB

Current account balance



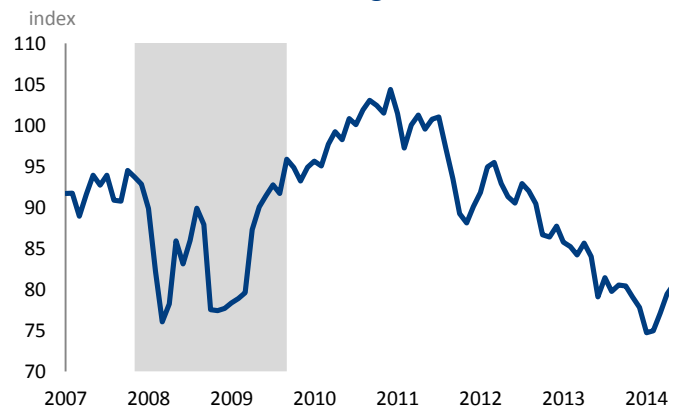
Source: SARB

Nominal exchange rate



Source: Thomson Reuters

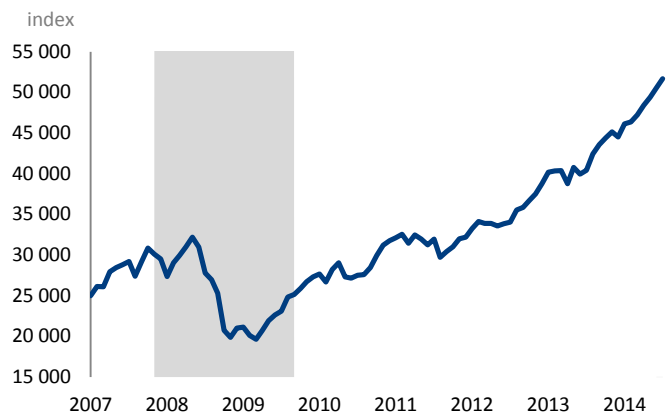
Real effective exchange rate of the Rand



Source: SARB

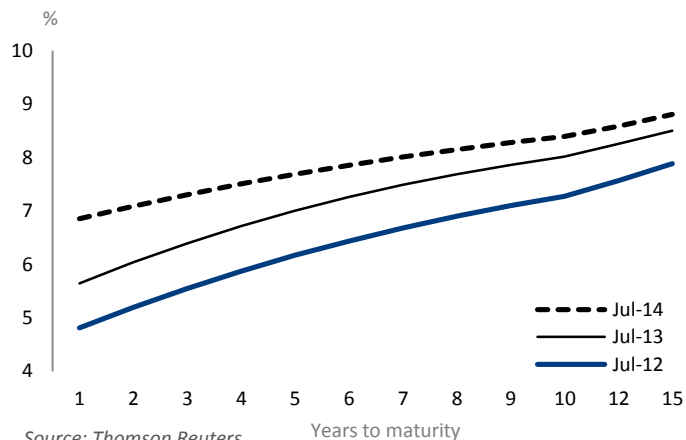
Financial markets

JSE all share index



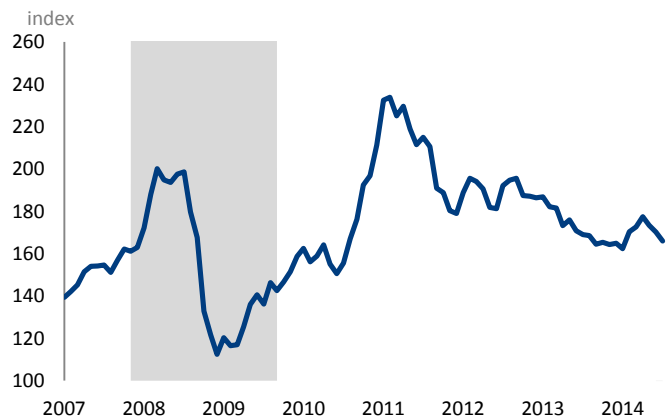
Source: Thomson Reuters

Yield curve comparisons



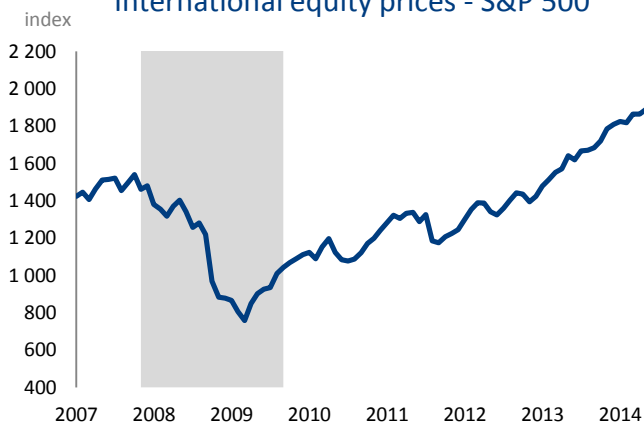
Source: Thomson Reuters

Economist all commodities index



Source: Economist

International equity prices - S&P 500

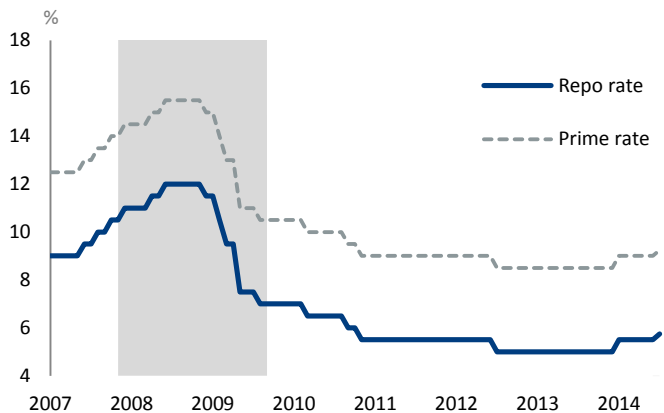


Source: Thomson Reuters

Please refer to the [glossary on the BER's website](#) for explanations of technical terms.
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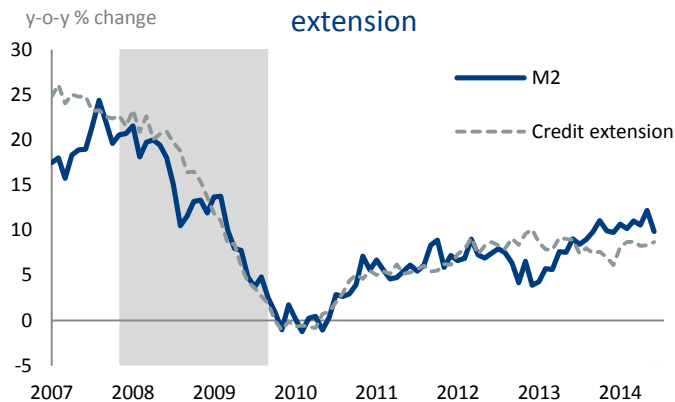
Money and prices

Repo and prime interest rate



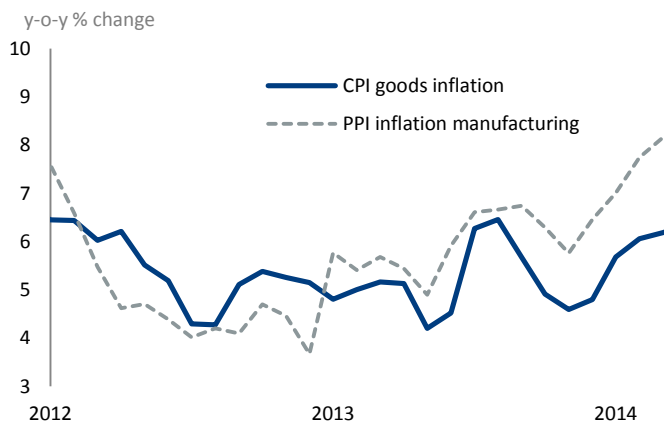
Source: SARB

M2 monetary aggregates and credit extension



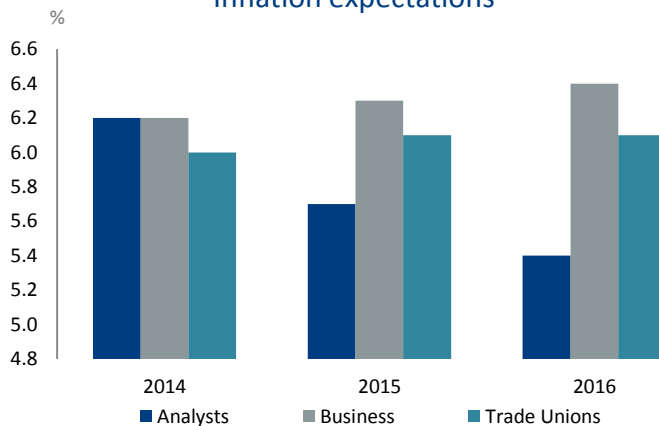
Source: SARB

Consumer and producer prices



Source: StatsSA

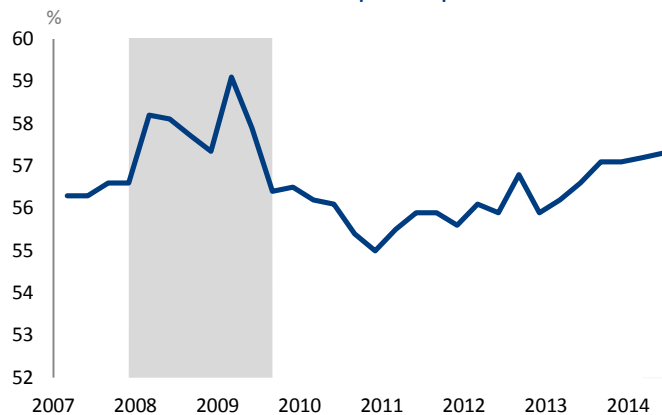
Inflation expectations



Source: BER

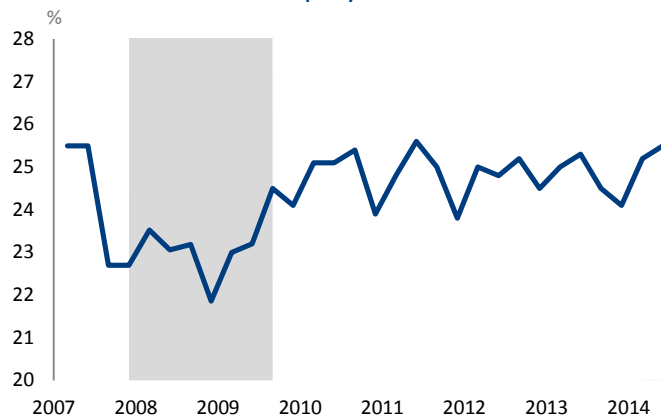
Labour

Labour force participation



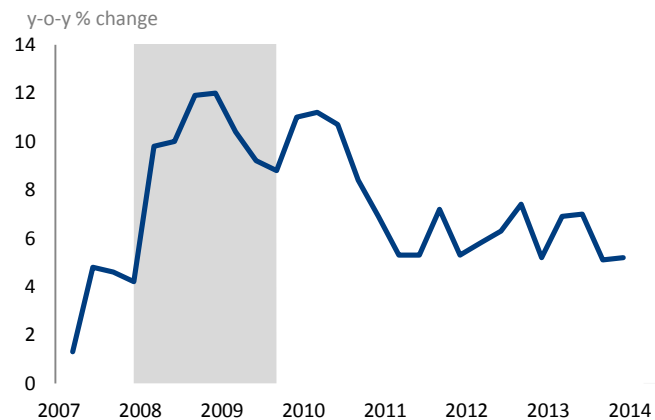
Source: StatsSA

Unemployment rate



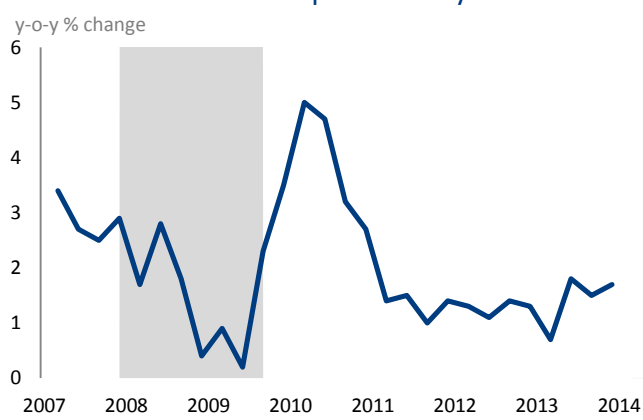
Source: StatsSA

Unit labour cost



Source: SARB

Labour productivity



Source: SARB

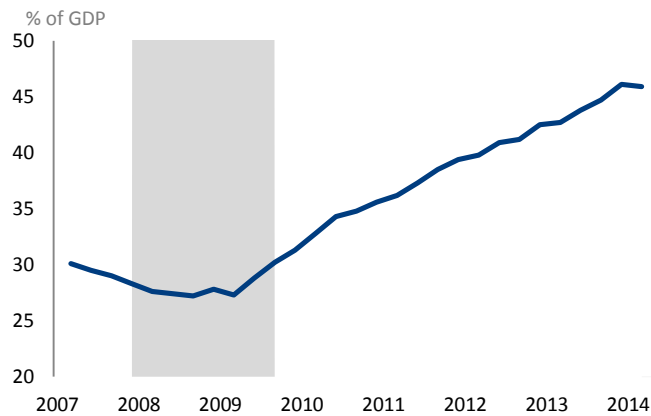
Government

Public sector borrowing requirement



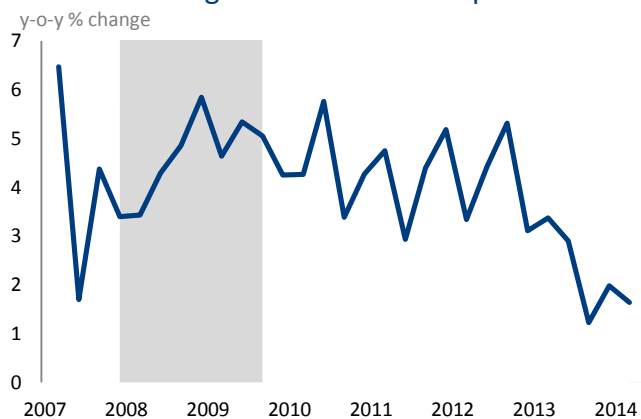
Source: SARB

Government debt



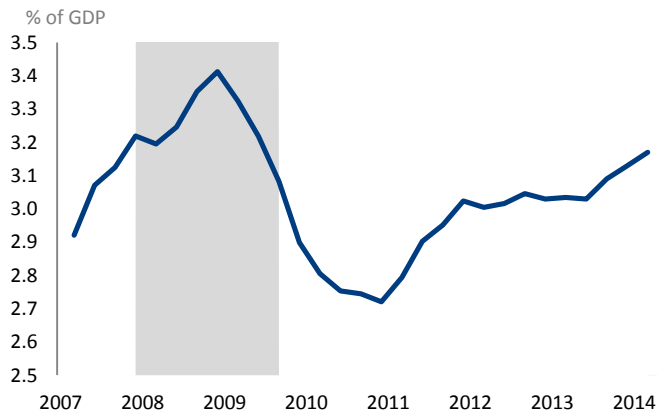
Source: SARB

Real government consumption



Source: SARB

Government fixed investment



Source: SARB

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