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Domestic data offered tentative signs of firmer momentum this week, with the SARB's leading indicator improving and motor trade activity tracking above its Q2 average, although producer inflation accelerated sharply as higher fuel costs fed through. Internationally, strong US growth and persistent inflation kept the prospect of further Fed tightening firmly in play, while the ECB held rates and global PMIs remained broadly expansionary.

In the **full Weekly Review**, we also unpack a politically charged week spanning elections in Brazil and Israel, the sharp Alphabet-led rethink of AI investment returns, SA's newly rebased GDP figures, and what to watch as the US heads to the midterms and South Africans prepare for the local government election.



DOMESTIC DATA

Vincent van der Westhuizen

LEADING INDICATOR SUGGESTS SOME RECOVERY IN MOMENTUM

The SARB's composite leading business cycle indicator rose by 1.1% m-o-m in August, reversing July's 0.8% decline and recording its first increase since May. Six of the ten available component series increased. The largest positive contributions came from faster growth in the real M1 money supply, an increase in residential building plans approved and higher dollar-denominated prices for SA's main export commodities. Compared with a year earlier, the leading indicator was up 1.9%.

The improvement points to somewhat firmer near-term economic momentum, although one month's rebound is not yet enough to establish a sustained upward trend.

MOTOR TRADE REMAINS SOFT DESPITE JULY REBOUND

Motor trade sales rose by 1.9% y-o-y in August, slowing from 3.1% in July. New vehicle sales remained the main support, rising by 9.1% and contributing 2.5% pts to annual growth. On a

seasonally adjusted basis, total motor trade sales declined by 0.3% m-o-m in August after rebounding by 4.5% in July.

For the first two months of Q3, the average level of motor trade sales was 1.6% above the Q2 average, suggesting some improvement in quarterly momentum despite the softer August print. The underlying picture remains mixed, with new and used vehicle sales providing support while fuel and accessories sales remain weak. Overall, activity in the sector appears subdued, with elevated fuel prices continuing to weigh on demand despite relatively strong new vehicle sales.

PRODUCER INFLATION REACCELERATES AS FUEL PRESSURES RETURN

Producer price inflation for final manufactured goods rose to 6.2% y-o-y in September, from 5% in August and above market expectations of 5.7%. This ended three consecutive months of moderation and reflected renewed fuel-price pressure.

The largest contribution came from coke, petroleum, chemical, rubber and plastic products, where prices rose by 19.1% y-o-y and contributed 4.1% pts to headline PPI. Metals, machinery, equipment and computing equipment added a further 0.5% pts. On a monthly basis, producer prices increased by 1%, the first rise since May, again driven largely by petroleum-related products.

Finally, private-sector credit extension slowed to 6.23% y-o-y in September, from 7.47% in August, marking its weakest annual growth rate since September 2025.

INTERNATIONAL DATA

Nadia Matulich

FED HOLDS RATES AS GROWTH REMAINS STRONG AND INFLATION ELEVATED

The Fed voted 10-2 to keep the federal funds rate unchanged at 3.75%-4%. As has been the case so far under the new Fed Chair, who does not favour detailed, explicit forward guidance, the accompanying statement was relatively short. The Committee noted that economic activity continues to expand at a strong pace, while job gains have kept pace with workforce growth, leaving unemployment little changed.

The underlying data support this assessment, with the Q3 advance GDP release placing real GDP growth at 3.4% annualised q-o-q, up from 2.2% in Q2. Growth was supported by stronger investment and consumer spending, while government spending also contributed positively. These gains were partly offset by weaker net exports. Similarly, as noted previously, the September jobs data placed unemployment at 4.2%, relatively unchanged over the past six months.

However, inflation has remained elevated, with Thursday's release placing PCE inflation at 3.6% y-o-y in September, up from 3.4% in August. The m-o-m increase accelerated to 0.5%, from 0.3% in August. Excluding food and energy prices, core PCE inflation stood at 3.1% y-o-y and 0.3% m-o-m.

Inflation expectations also remained elevated, with Friday's University of Michigan Survey of Consumers placing year-ahead inflation expectations at 4.7% and long-run expectations at 3.5%. The rest of the Michigan survey remained subdued, with current economic conditions at 46.7 (down 8.3% m-o-m), expectations at 48.8 (up 5.4% m-o-m) and overall consumer sentiment at 48 (-0.2% m-o-m).

The combination of robust activity, a resilient labour market and still-elevated inflation would ordinarily strengthen the case for further tightening. However, the majority of the Committee opted not to tighten further, given that geopolitical uncertainty remains elevated. The Fed reiterated its commitment to price stability and to returning inflation to its 2% target.

ECB KEEPS RATES UNCHANGED

The ECB also met this week to determine interest rates, with its Governing Council keeping all three key rates unchanged. Continuing a global trend in monetary policy discussions, rising energy prices were said to pose downside risks to growth and upside risks to inflation. The ECB noted, however, that the shock is still unfolding and that underlying inflation has remained broadly stable so far. Nevertheless, both direct and second-round effects are expected to place further upward pressure on inflation. Financing conditions have also tightened, which the ECB expects to weigh on both inflation and growth.

Against this backdrop, the Governing Council kept rates unchanged and reiterated that future decisions would remain data dependent and meeting by meeting.

The meeting was also overshadowed by Christine Lagarde's announcement that she will step down as ECB President on 7 February 2027, around eight months before the scheduled end of her term. Lagarde said she wanted greater freedom to speak and engage on issues beyond monetary policy. Her early departure brings forward the succession process at a particularly delicate point for the ECB, with the Bank still navigating elevated inflation, weak growth and tighter financing conditions. A successor will be appointed by the European Council.

FLASH PMIS POINT TO RESILIENT ACTIVITY DESPITE RISING COST PRESSURES

Last Friday also saw a host of flash PMI releases. For the most part, there were no major surprises, with the relevant economies broadly continuing along the trajectories seen last month. The S&P Global Flash Composite PMI for the Eurozone declined slightly to 51.9, from 53.1 in September. The Manufacturing and Services PMIs were similarly lower, at 52.4 and 51.7 respectively, from 52.9 and 53.0 in September, with activity affected by strikes and unrest.

In the UK, the PMIs were somewhat more encouraging, with the S&P Global Flash Composite PMI rising to 53.1, from 52.0 in September. The Manufacturing and Services PMIs also improved to 52.8 and 53.1 respectively, from 51.9 and 52.1. Growth was supported by increases in new business, stronger output across both sectors and employment growth.

The US PMIs, meanwhile, remained exceptionally strong, with the Composite PMI at 57.6, albeit slightly below the 58.4 recorded in September. The Manufacturing and Services PMIs stood at 56.0 and 57.9 respectively, compared to 55.9 and 58.8 previously. New orders and export sales reached multi-year highs, at levels last seen in 2022, while employment grew at its fastest pace since June 2022.

Cost pressures remained elevated across all three economies, with higher energy and fuel costs feeding through to input and selling prices. The pressure was particularly pronounced in the US, where selling-price inflation reached its highest level since August 2022.

CONTACT US

Editor: Lisette IJssel de Schepper
Tel: +27 (0)21 808 9777
Email: lisette@sun.ac.za

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