

WEEKLY REVIEW | NUMBER 38

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This week's data painted a mixed picture. SA mining production fell sharply again in August, reinforcing concerns that the sector may have detracted from third-quarter GDP growth. Internationally, US inflation surprised to the upside, with higher gasoline prices driving much of the September increase, while China's producer prices rose sharply even as consumer inflation remained subdued. UK GDP, meanwhile, expanded modestly in August.

For a broader assessment of what these developments mean for the outlook, including the implications of the US inflation surprise, persistent oil-price pressure, SA's fiscal position ahead of the MTBPS, and the latest political developments, see the **full BER Weekly Review** available to clients – [sign up here](#).

DOMESTIC DATA

Nkosinathi Nonkonyane

MINING PRODUCTION CONTRACTS FOR THE FOURTH CONSECUTIVE MONTH

Mining production declined by 12.7% y-o-y in August, the steepest yearly fall since October 2022, far exceeding market expectations of a 3% contraction. PGMs were the biggest drag, dropping by 22.5% and subtracting 6.1% pts. Furthermore, production for coal and iron ore fell by 11.7% (-3% pts) and 16.2% (-2.4% pts), respectively. Only chromium ore (11.1%, 0.6% pts) and manganese ore (4.1%, 0.3% pts) had positive yearly changes. Monthly, production fell by 5.4% in August, from -1.9% in July.

The weakness leaves mining on course to detract from third-quarter GDP unless there is a very sharp rebound in September. While some normalisation in PGM output is possible as earlier disruptions unwind, the August data leave a sizeable hurdle for the sector to avoid another quarterly contraction.

Annual mineral sales followed suit, decreasing by 15.1% in August, largely driven by gold sales declining by 48.6%, subtracting 8.6% pts. Sales for iron ore, PGMs and coal fell as well, deducting 2.4%, 1.9% and 1.9% pts, respectively. The weakness in sales partly reflects the sharp decline in production, although current-price sales are also affected by commodity prices and exchange-rate movements. Together with the production data, the figures point to another difficult quarter for the mining sector and raise concerns about its contribution to third-quarter growth (from an output and export perspective).

INTERNATIONAL DATA

Nomvelo Moima

US INFLATION SURPRISES TO THE UPSIDE

The latest US headline consumer inflation print came in hotter than market expectations (for 3.6% y-o-y), up from 3.4% y-o-y in August to 3.7% y-o-y in September. The acceleration comes on the back of a monthly (s.a.) 0.6% rise in September, accelerating from 0.4% m-o-m in the prior month. Notably, this marks the largest monthly jump since April. The energy index firmed on higher gasoline prices, which accounted for over half of the monthly increase. Crucial for interest rate expectations, consumer prices excluding food and energy also delivered an upside surprise. Core CPI rose to 2.6% y-o-y in September from 2.4% y-o-y in August. This was driven by annual and monthly increases in the prices of shelter and transportation services.

Meanwhile, US producer prices rose to 6.3% y-o-y in September, up from 5.6% y-o-y in the previous month. On a seasonally adjusted basis, PPI increased sharply to 1.3% m-o-m in September, up from 0.5% m-o-m. This far outpaced consensus forecasts for another 0.5% rise, making September's jump the fastest pace of acceleration in more than four years. As with consumer inflation, this was largely driven by a surge in gasoline prices.

The upside surprises in both consumer and producer inflation underscore the challenges facing the Fed, particularly as higher energy costs coincide with signs of broader price pressures. The data strengthen the case for further monetary tightening, although the timing of another rate hike will depend on upcoming economic releases.

CHINA'S PRODUCER PRICES SURGE, BUT CONSUMER INFLATION REMAINS MUTED

Annual CPI inflation in China ticked up from 0.8% in August to 0.9% in September, slightly below consensus forecasts for a 1% rise. That said, this still marks the fastest pace of price growth since July, driven by an acceleration in the transport and communication category, most notably fuels for transport, which rose sharply (+14.9% y-o-y, from +8.3% y-o-y). This reflects two domestic fuel price increases in September, along with stronger travel demand ahead of the Golden Week holiday. At the same time, higher fuel prices were offset by deepening food deflation. Annual core inflation (excluding food and energy) rose by 1.0% y-o-y in September, unchanged from the prior month. On a monthly basis, CPI rose by 0.2%, slowing from a 0.4% increase in August.

In contrast, China's producer price inflation surprised to the upside. Annual PPI strengthened to its highest level in about four years, rising to 5% y-o-y in September from 3.8% y-o-y in the previous month. PPI rose by 1.2% m-o-m in September, tripling the 0.4% m-o-m rise in August and marking the second-largest monthly jump after April, owing to surging energy prices.

Taken together, China's price gauges suggest that rising upstream cost pressures have yet to translate into broader consumer inflation, with weak domestic demand continuing to constrain price increases. However, persistently elevated producer prices could eventually put upward pressure on consumer inflation.

UK GDP GROWTH RESILIENCE

In the UK, monthly real GDP expanded by 0.1% in August, down from 0.4% in July. Still, August's modest rise beat market expectations of a contraction. The production sector grew by 0.8%, driven by growth in the manufacturing and mining and quarrying sectors. The services sector was flat, as growth in the wholesale and retail trade sector was offset by declines in the administrative and support services and food and beverage services sectors. Output in the construction sector contracted by 0.2% due to a decline in new work, marking its fourth consecutive monthly decline. Positively, real GDP grew by 2.1% y-o-y, up from 1.8% y-o-y in the previous month, the strongest annual expansion since July 2022.

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