

# WEEKLY ECONOMIC INSIGHTS

# WEEKLY



**GAUTENG PROVINCE**  
ECONOMIC DEVELOPMENT  
REPUBLIC OF SOUTH AFRICA

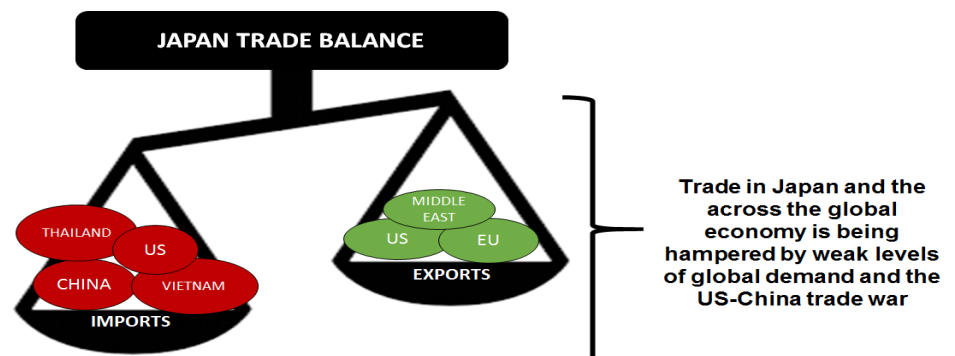
Growing Gauteng Together

## HIGHLIGHTS

- **JAPAN'S TRADE BALANCE SUFFERS ANOTHER BLOW**
- **INCOME FOR FOOD & BEVERAGES INDUSTRY DIPS LOWER IN JUNE**
- **GROWTH IN CONSUMER PRICES SLOWS IN JULY**
- **LEADING BUSINESS CYCLE INDICATOR DECREASES IN JUNE**

## JAPAN'S TRADE BALANCE SUFFERS ANOTHER BLOW

Japan's trade deficit widened in July as exports declined for the eighth consecutive month by 1.6% year-on-year (y/y) and imports shrank by 1.2%. Weaker global demand coupled with tensions between Japan's trading partners (China and the US) has hampered both flows to and from the Japanese shores. Exports to China declined by 9.3% in July, conversely, exports to the US increase by 8.4%. In addition, consumer prices in Japan declined to 0.5% y/y in July from 0.7% in the previous month. This was mainly due to slower increases in the prices of food (0.9% compared to 1.4% in June) and fuel (up 2% compared to 2.2% a month prior).



Similarly, the annual inflation rate in the Euro Area decreased to just 1.0% in July from 1.3% in the previous month, marking the lowest inflation rate in the region since November 2016. The lower rate was attributed to slower increases in the price of energy and services. In the minutes released this week, of the last European Central Bank (ECB) monetary policy meeting held in July, are expressions of concern about persistently low inflation expectations as well as signs of a deepening economic slowdown. These concerns have raised the odds that the ECB may introduce several monetary easing measures in September 2019.

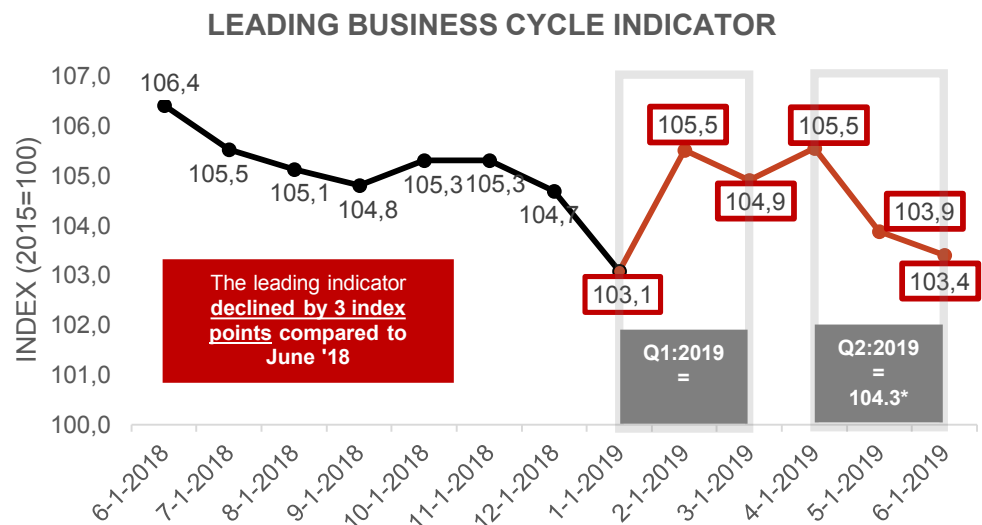


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## LEADING BUSINESS CYCLE INDICATOR DECREASES IN JUNE

In June 2019, South Africa's composite leading business cycle indicator decreased by 0.4% m/m from 103.9 in May to 103.4. Leading indicators are a useful indicator of the direction of economic growth in the near-term and the slightly weaker reading doesn't bode well for economic growth prospects. Quarterly, on average, the leading indicator weakened slightly in the second quarter of 2019 compared to the first which may indicate only a minimal recovery in SA's growth performance to be released in the first week of September.



**Data source:** South African Reserve Bank. \* = average

The lower index reading was attributed to decreases in five of the available component time series. The largest negative contributors to the movement were a deceleration in the 12-month percentage change in job advert space as well as a decrease in the number approved residential plans. Meanwhile, positive changes in the volume of manufacturing orders and growth in real M1 money supply were not enough to outweigh the declines.

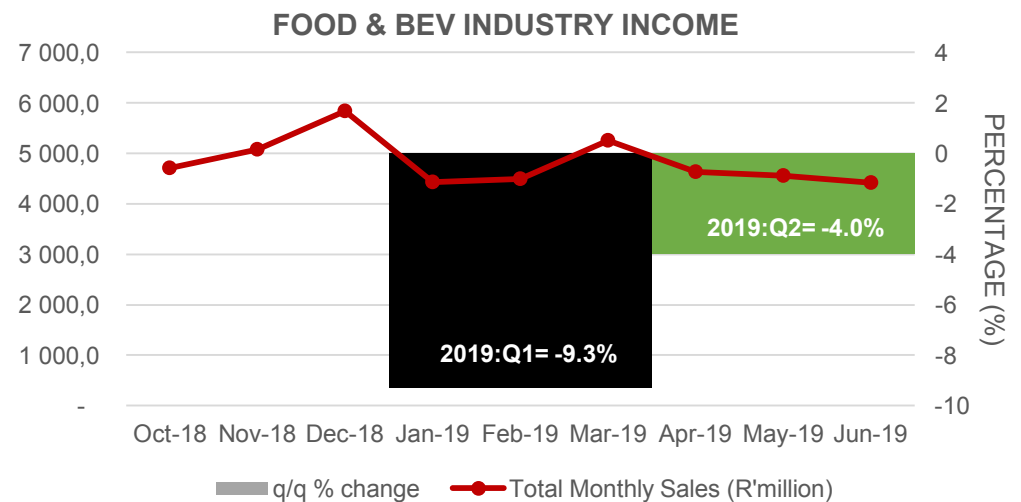
The composite coincident and lagging business cycle indicators both increased by 0.2% and 0.8% respectively on a m/m basis in May 2019. Overall, the SARB's business cycle remains in a downward trend due to the lagged effects of the weaker economic growth environment and slowing domestic and global demand in recent months.

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## INCOME FOR FOOD AND BEVERAGES INDUSTRY DIPS LOWER IN JUNE

According to the latest data, the food and beverages industry recorded moderate losses in the second quarter of 2019. Measured in real terms (constant 2010 prices), total income generated by the industry declined by 0.6% in June 2019 compared to June 2018. This was driven by weaker bar sales (-2.1%) and lower levels of 'other' income (-8.6%) and in-line with the trends outlined in the retail sales data for June released by Statistics South Africa on 14 August 2019, which indicated that the sales of food, beverages and tobacco products recorded negative growth of 0.1% in June 2019.



**Data source:** Statistics South Africa

Income by type of enterprise was lower for restaurants and coffee shops (-3%) as well as catering services (-3.8%). Meanwhile, takeaway and fast-food outlets recorded an increase of 3.6% in income for the month of June.

Quarterly, income declined by 9.3% and 4% in Q1:2019 and Q2:2019, respectively. As of end June 2019, food and beverages income has increased by 3.4% compared to the first half of 2018 indicating that the sector is fairing slightly better than 2018, despite the current economic climate.

Overall, the latest data shows that consumers are tightening their belts on ready to consume convenience foods as they confront a tough and uncertain economic environment and reprioritise their spending. The slightly higher retail sales figures published last week do however, signal slightly more positive consumer sentiments which should bode well for economic growth for the second quarter of 2019.

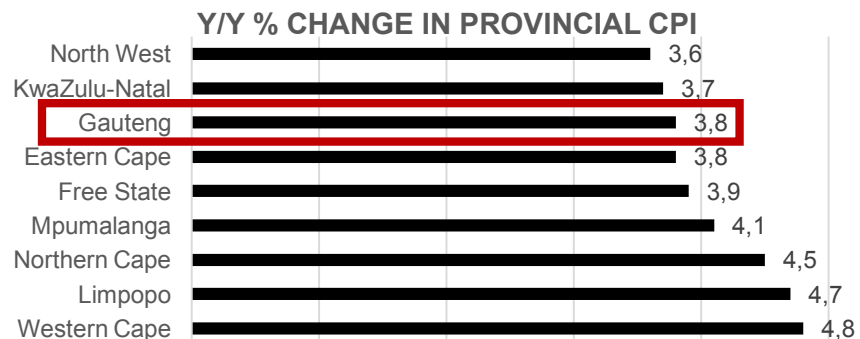
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## GROWTH IN CONSUMER PRICES SLOWS IN JULY

According to the official statistical publication released on Wednesday, 21 August 2019; annual consumer price inflation (CPI) decreased to 4.0% in July, down from 4.5% in June 2019. The main contributors to the 4.0% annual inflation rate were food and non-alcoholic beverages; housing and utilities; and miscellaneous goods and services as shown on the graph below. Food and non-alcoholic beverages increased by 3.4% y/y and contributed 0.6 of a percentage point to the total CPI. On the other hand, housing and utilities increased by 5.1% y/y and contributed 1.2 percentage point while miscellaneous goods and services increased by 5.6% y/y, contributing 0.9 of a percentage point.

Monthly, consumer prices edged up 0.4% between June and July 2019. The key contributors to the monthly increase were housing and utilities, which increased by 2.4% m/m and contributed 0.6 of a percentage point. Following the decline in fuel prices in early July, transport decreased by 1.5% m/m and contributed -0.2 of a percentage point to the monthly price change. The price of a litre of 95 petrol fell from R16.76 in June to R15.81 in July, notably lower than the R16.02 per litre motorists were paying same time a year ago. In addition, several municipalities implemented electricity and municipal rates hikes of up to 6.3% in July.



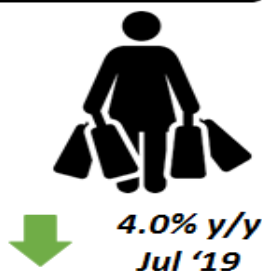
**Data source:** Statistics South Africa

At a provincial level, Gauteng recorded the third lowest yearly rise in consumer prices (together with the Eastern Cape) at 3.8%. This is only slightly higher than the North West and KwaZulu-Natal provinces which each recorded consumer price increases of 3.6% and 3.7%, respectively in July 2019.

The CPI decrease to 4% is slightly lower than the projections of analysts, and within the target range of between 3% and 6% set by the SA Reserve Bank. Statistics South Africa declared a drop-in fuel prices and increases in municipal tariffs the key price drivers during the month.

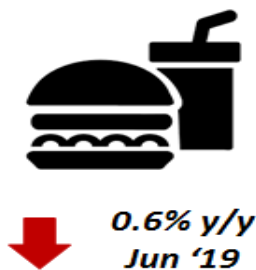
# INDICATORS: Week 19 - 23 August 2019

## CONSUMER INFLATION

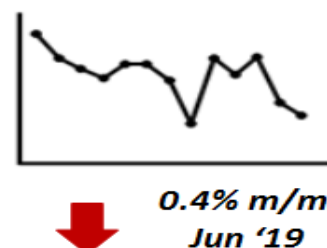


Source: Statistics South Africa 2019

## FOOD & BEV INCOME

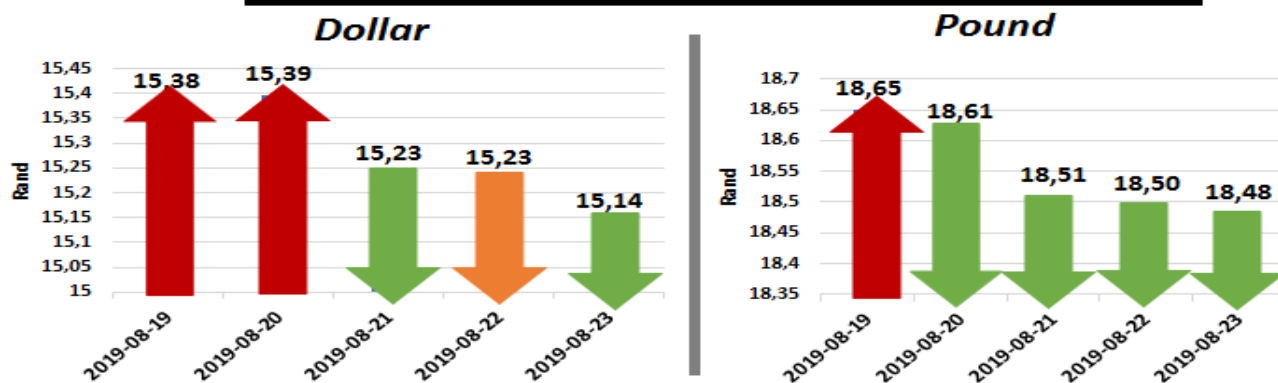


## LEADING BUSINESS CYCLE INDICATOR



Source: SARB, 2019

## RAND/DOLLAR/POUND EXCHANGE RATE



## COMMODITIES

### BRENT CRUDE OIL PER BARREL

\$58.94  
23 Aug'19  
↑  
\$58.73  
16 Aug'19

### GOLD PER OUNCE

\$1 510.94  
16 Aug'19  
↓  
\$1 499.65  
23 Aug'19

Source: Trading Economic, 15:00, 23 Aug'19

### PLATINUM PER OUNCE

\$847.60  
23 Aug'19  
↑  
\$833.32  
16 Aug'19

Chief Content Editor: Motlatjo Moholwa

Content Editor: Bokang Vumbukani-Lepolesa

Contributors:

Motshidisi Mokoena, Sechaba Tebakang, Rendani Siwada