NATIONAL YOUTH DEVELOPMENT AGENCY
OUR YOUTH. OUR FUTURE.

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NYDA Monthly Economic Intelligence Brief

Covering selected high-frequency data released in July 2026

Contents

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Purpose of the Publication

The NYDA Monthly Economic Intelligence Brief provides timely insights into the South African economy, with a strong focus on how current economic conditions affect youth employment, enterprise development, and economic participation, based on high-frequency monthly economic data. It goes beyond simply reporting data by explaining what is happening in the economy and why it matters for young people and for the work of the NYDA.

The publication links broader economic trends, such as changes in demand, the rising cost of living, business conditions, and access to finance, to the everyday realities young people face. It emphasises how these shifts influence job opportunities, the sustainability of youth-owned businesses, and young people's ability to earn an income. It also highlights deeper structural challenges that continue to restrict youth participation in the economy.

Within the organisation, the Brief supports better decision-making by helping managers and leadership understand the economic environment, enabling more responsive, targeted, and effective programmes while strengthening the NYDA's ability to anticipate and respond to change.

Key Highlights

- South Africa's manufacturing sector lost momentum in June 2026, following a brief period of expansion during the preceding two months. The Absa Purchasing Managers' Index (PMI) decreased from 50.8 in May to 47.4 points in June 2026.
- Statistics South Africa (Stats SA) reported that manufacturing production fell by 4.3 per cent year-on-year in May 2026, this reflects continued pressure on manufacturing output during the second quarter.
- Mining production fell by 5.4 per cent year-on-year in May 2026, following an 8.2 per cent increase in April, resulting in a weaker performance which marks a significant loss of momentum.
- South Africa's annual consumer inflation increased to 5.0 per cent in June 2026, from 4.5 per cent in May, reaching its highest level since June 2024.
- Retail trade sales increased by 2.3 per cent year-on-year in May 2026, although the pace of growth remained moderate.
- South Africa's new vehicle market maintained strong growth in June 2026, with domestic sales reaching 54,482 units, an increase of 15.3 per cent year-on-year. This represented the strongest June sales performance since 2007,
- Food and beverages sector showed a very weak performance in May 2026, with real income recording a 0.3 per cent year-on-year decrease, reflecting softer consumer demand across the industry.

Key Highlights (Cont.)

- The South African Reserve Bank decided to keep the repo rate unchanged at 7.0 per cent in July 2026.
- Wholesale trade sales showed a sharp decline in May 2026, reversing the growth recorded over the preceding two months.
- Private Sector Credit Extension (PSCE), which measures the amount of credit provided by banks and other financial institutions to households and businesses, showed an increased 7.8 per cent year-on-year in June 2026 which eased from an 8.6 percent in May 2026.
- Annual producer price inflation eased to 7.5 per cent in June 2026, up from 7.8 per cent in May 2026, reflecting a first signal that the sharp build-up in upstream cost pressures recorded in previous months may be stabilising.
- Overall, the June 2026 data suggest that South Africa's economy continues to show pockets of resilience, but the recovery remains fragile and uneven. Weak employment growth, high youth unemployment, cost-of-living pressures and global economic uncertainty continue to limit the extent to which improvements in economic activity translate into better livelihoods.

1. Industrial Conditions and Implications for Young People

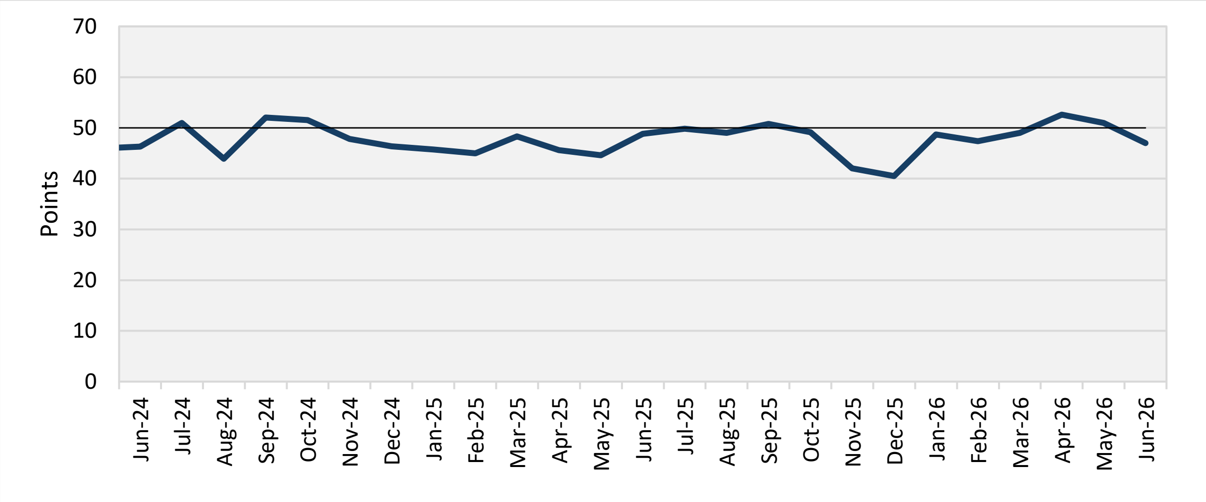
1.1. ABSA Purchasing Managers' Index (PMI)

South Africa's manufacturing sector lost momentum in June 2026, after a brief expansion over the previous two months. The seasonally adjusted Absa Purchasing Managers ' Index (PMI) fell from 50.8 points in May to 47.3 points in June, moving below the 50-point threshold and signalling a renewed contraction in manufacturing activity. The decline suggests that the improvement recorded in the early stages of the second quarter has not yet developed into a broad-based or sustained recovery.

Global developments also provided some relief on the cost side during June. The agreement between the United States and Iran to ease hostilities and facilitate the reopening of the Strait of Hormuz contributed to a decline in international oil prices, particularly Brent crude. This was reflected in a substantial 13.5-point decline in the PMI purchasing price index to 71.3. Together with the fuel price reductions introduced in June, the moderation suggests that the sharp increase in input-cost pressures observed during April and May may have reached a turning point. The easing of input costs provides some relief to manufacturers, although this improvement has yet to translate into stronger overall activity.

On the other side, demand conditions remained a key constraint on the manufacturing sector. The temporary increase in orders observed earlier in the second quarter appears to have faded, with manufacturers reporting greater caution among customers. Some respondents indicated that clients postponed purchases in anticipation of lower prices, contributing to a further decline in the new sales orders index from 44.6 in May to 40.6 in June. This represents a reversal of the front-loaded demand observed during March and April, when customers brought forward purchases in anticipation of higher costs. The continued weakness in new orders therefore suggests that underlying demand remains.

Figure 1: ABSA Purchasing Managers' Index (PMI)



Source: ABSA

The data also points to a significant easing of cost pressures in the manufacturing sector. The purchasing price index fell by 13.5 points to 71.3 in June, suggesting that the sharp increase in input costs observed during April and May may have reached a turning point. Lower oil prices, reduced fuel costs and a relatively stronger rand contributed to this moderation. However, the improvement in cost conditions was accompanied by weaker new orders, suggesting that lower production costs have not yet translated into stronger underlying demand. This highlights the uneven nature of the current manufacturing recovery.

Importantly, employment conditions remained weak, with the employment index declining to 41.4 points in June, indicating continued contraction in manufacturing employment. Despite improved expectations regarding future business conditions and easing cost pressures, manufacturers remain cautious about expanding their workforce. This suggests that the improvement in business conditions has not yet translated into meaningful employment gains, highlighting the sector's continued weakness in job creation.

The latest PMI results provide mixed signals for the manufacturing sector. While easing input-cost pressures and improved expected business conditions offer some support for the outlook, the renewed contraction in manufacturing activity, weaker new sales orders, and subdued employment indicate that the recovery remains fragile. For young people in particular, continued weakness in manufacturing employment may limit opportunities for entry into the labour market. This reinforces the importance of supporting youth-owned businesses within manufacturing value chains and identifying opportunities in more labour-intensive sectors that can generate sustainable employment.

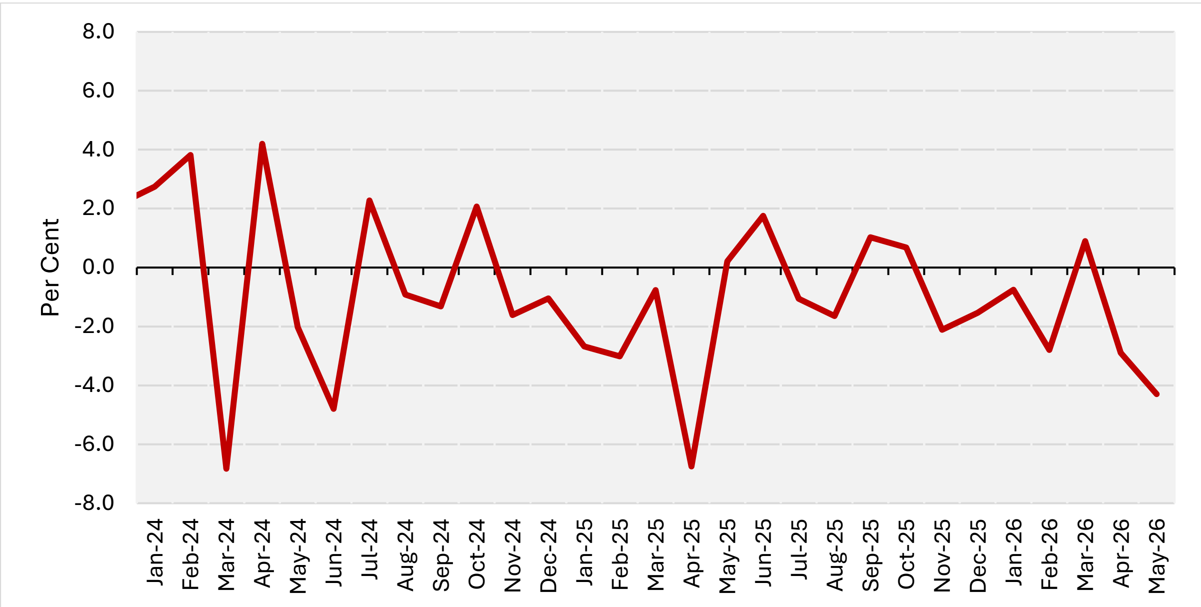
Overall, the June PMI suggests that a sustained manufacturing recovery has yet to take hold. Although improved business expectations and lower input costs provide some grounds for cautious optimism, persistent weakness in demand and employment remains a significant constraint. The coming months will be critical in determining whether the improvement in cost conditions and business confidence translates into stronger production and employment, or whether subdued demand continues to weigh on the sector's recovery.

1.2. Manufacturing Production

Statistics South Africa (Stats SA) reported that manufacturing production fell by 4.3 per cent year-on-year in May 2026, following a 2.9 per cent contraction in April. This reflects continued pressure on manufacturing output during the second quarter. On a month-on-month basis, however, seasonally adjusted production increased by 1.1 per cent in May, following a 2.6 per cent fall in April. The monthly improvement provides some evidence of a recovery in activity, although the annual figures continue to reflect subdued conditions across the sector.

Several major manufacturing divisions contributed to the weaker annual performance. Food and beverages production fell by 6.4 per cent, contributing 1.6 percentage points to the overall contraction. Production of basic iron and steel, non-ferrous metal products, metal products and machinery fell by 5.6 per cent. In contrast, wood and wood products, paper, publishing and printing recorded a 11.0 per cent decrease. The performance across these industries reflects the broad pressures facing manufacturing, with weakness extending across both consumer-oriented and industrial activities.

Figure 2: Manufacturing production (year-on-year)



Source: Stats SA

The three-month trend also remains soft. Manufacturing production fell by 1.0 per cent in the three months to May 2026 compared with the preceding three-month period, with six of the ten manufacturing divisions recording negative growth. The largest negative contributions came from wood and wood products, paper, publishing and printing; petroleum, chemical products, rubber and plastic products; and furniture and other manufacturing. The performance over this period suggests that the improvement recorded in May was not yet strong enough to establish a sustained upward trend in production.

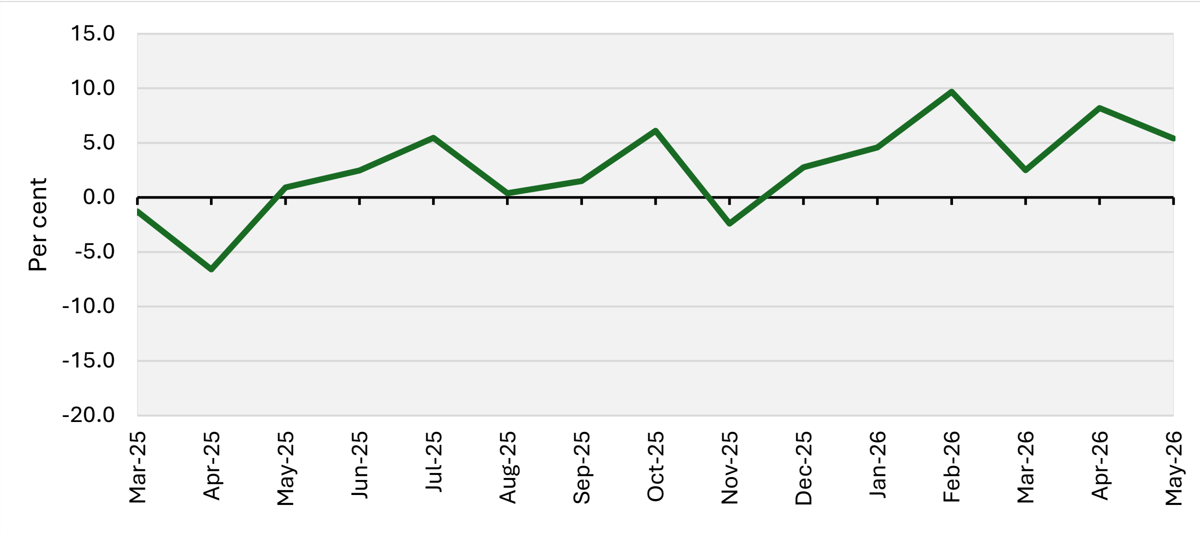
Manufacturing sales also showed mixed results in May 2026. Seasonally adjusted manufacturing sales fell by 1.8 per cent month-on-month, following increases in March and April, while sales were 0.7 per cent lower year-on-year. However, sales increased by 3.2 per cent over the three months to May, supported mainly by stronger sales in motor vehicles, parts and other transport equipment, as well as petroleum, chemical products, rubber and plastic products. The figures suggest that manufacturing demand has improved over the broader three-month period, although the weaker May performance points to continued volatility in the sector.

The manufacturing sector remains important because of its potential to create employment opportunities and support youth-owned enterprises across industrial value chains. The recovery in food processing, chemicals, plastics, and electrical machinery may create opportunities for youth participation in production, logistics, maintenance, and related support services. However, the continued weakness in overall manufacturing activity and the sector's limited employment growth suggest that the recovery remains fragile.

1.3. Mining Production

Mining production fell by 5.4 per cent year-on-year in May 2026, following an 8.2 per cent increase in April. The weaker performance marks a significant loss of momentum after the strong expansion recorded in the previous month. It suggests that mining activity came under renewed pressure during the second quarter. The contraction was primarily driven by iron ore, coal and platinum group metals (PGMs). Iron ore production fell by 12.7 per cent and contributed -2.1 percentage points to the overall result, while coal and PGMs fell by 6.1 per cent and 4.4 per cent, respectively. These declines more than offset stronger production in minerals such as chromium ore and manganese ore.

Figure 3: Mining production (year-on-year)



Source: Stats SA

The performance across mineral groups remained uneven. Chromium ore production increased by 9.5 per cent, while manganese ore grew by 8.7 per cent, providing some support to the sector. However, production in several other mineral categories remained weak, including copper, nickel, diamonds and other metallic minerals. The continued weakness in coal and iron ore is particularly notable given their importance within the mining sector. This uneven performance demonstrates the different conditions facing individual commodity markets and the challenges affecting mining activity across the sector.

On a month-on-month basis, seasonally adjusted mining production fell by 5.2 per cent in May, following a 3.3 per cent increase in April. The three-month trend was also weaker, with seasonally adjusted mining production falling by 1.7 per cent in the three months to May 2026 compared with the preceding three-month period. Manganese ore, other metallic minerals and coal were among the largest negative contributors. The latest figures suggest that the improvement recorded earlier in the year has not yet translated into a sustained increase in mining activity.

The mining sector remains a critical component of the South African economy, supporting export earnings, investment and economic activity, particularly in provinces where mining is a major source of economic activity. However, the capital-intensive nature of mining means that production increases do not necessarily translate directly into substantial employment creation. The latest results therefore reinforce the importance of identifying opportunities for young people across the wider mining value chain, including mining services, engineering, equipment maintenance, logistics, mineral processing, environmental rehabilitation and beneficiation.

The May mining data presents a mixed picture of the sector. The sharp contraction in production and weaker three-month performance point to renewed pressure on mining activity, while stronger output in selected mineral groups provides some support. Sustained growth in mining production, together with greater downstream beneficiation and local value addition, will be important for strengthening the sector's contribution to economic growth and translating mineral resources into wider employment and economic opportunities for young people.

2. Consumer Spending Trends and Implications for Young People

2.1. Consumer Price Index[1] (Inflation)

South Africa's annual consumer inflation increased to 5.0 per cent in June 2026 from 4.5 per cent in May, reaching its highest level since June 2024. The Consumer Price Index (CPI) increased by 0.7 per cent month-on-month, reflecting renewed price pressures during the month. The increase was driven primarily by transport, which recorded annual inflation of 12.7 per cent and was the largest contributor to both the annual and monthly increase in the CPI.

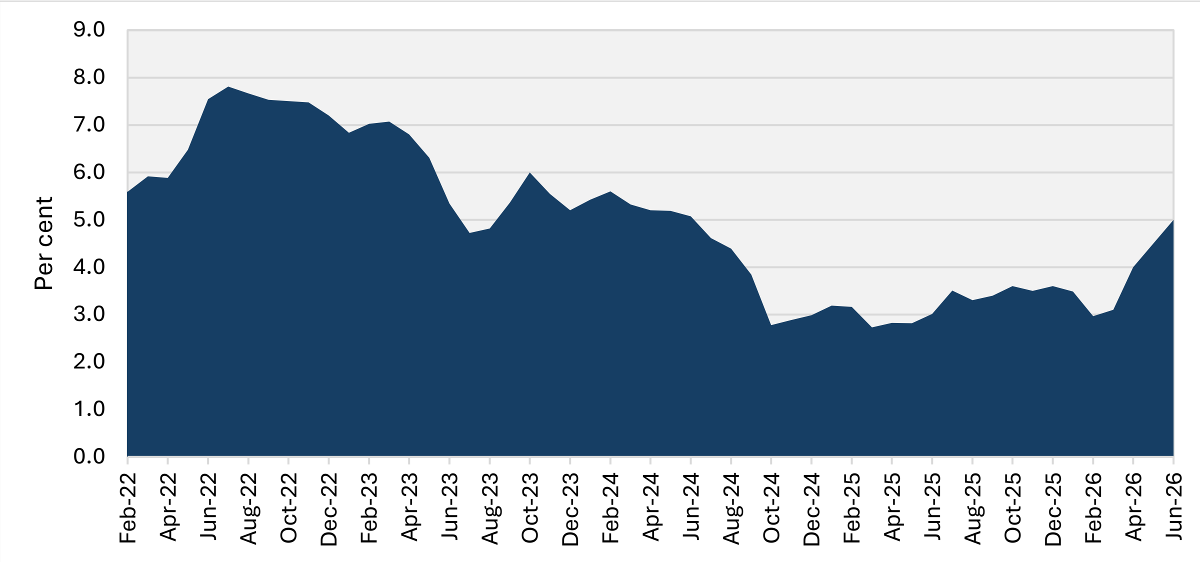
Transport costs were strongly affected by higher fuel prices. Fuel prices increased by 34.3 per cent year-on-year, with diesel prices rising by 50.8 per cent and petrol prices by 31.7 per cent.

[1] The Consumer Price Index (CPI) measures the average change over time in prices paid by consumers for a basket of goods and services, serving as a key indicator of inflation. It is used to adjust income payments, analyse economic stability, and guide monetary policy by central banks.

These increases also fed through to passenger transport, where prices rose sharply during the month. This creates additional pressure on household budgets and raises the cost of commuting, transporting goods and providing services.

Food inflation, however, continued to moderate, with annual inflation for food and non-alcoholic beverages easing to 1.6 per cent in June, from 1.9 per cent in May and 2.9 per cent in April. Lower prices for several staple products, including white rice, maize meal and potatoes, provided some relief to households.

Figure 4: Consumer Inflation (year-on-year)



Source: Stats SA

The latest inflation figures have important implications for young people and youth-owned enterprises. Higher transport and fuel costs can increase the cost of travelling to work, accessing education and training, and operating businesses. At the same time, the continued moderation in food prices provides some relief to household purchasing power. For the Agency, the combination of rising transport costs and elevated headline inflation remains important for monitoring the cost of economic participation among young people.

Overall, the latest inflation data presents a mixed picture. The moderation in food inflation is positive for low-income households and unemployed young people, who typically face greater pressure from essential living costs. However, rising transport and fuel costs may place additional pressure on young jobseekers, entrepreneurs and youth-owned enterprises. Higher commuting costs can make it more expensive for young people to search for employment, access education and training, and participate in economic opportunities. In comparison, higher fuel costs can increase operating expenses for small businesses.

The June inflation figures therefore point to renewed cost-of-living pressures, despite continued moderation in food prices. The increase in headline inflation to 5.0 per cent, driven largely by transport and fuel costs, suggests that household purchasing power and business operating conditions remain under pressure. These developments warrant continued monitoring, particularly given the potential implications for youth economic participation in an environment of persistently high unemployment.

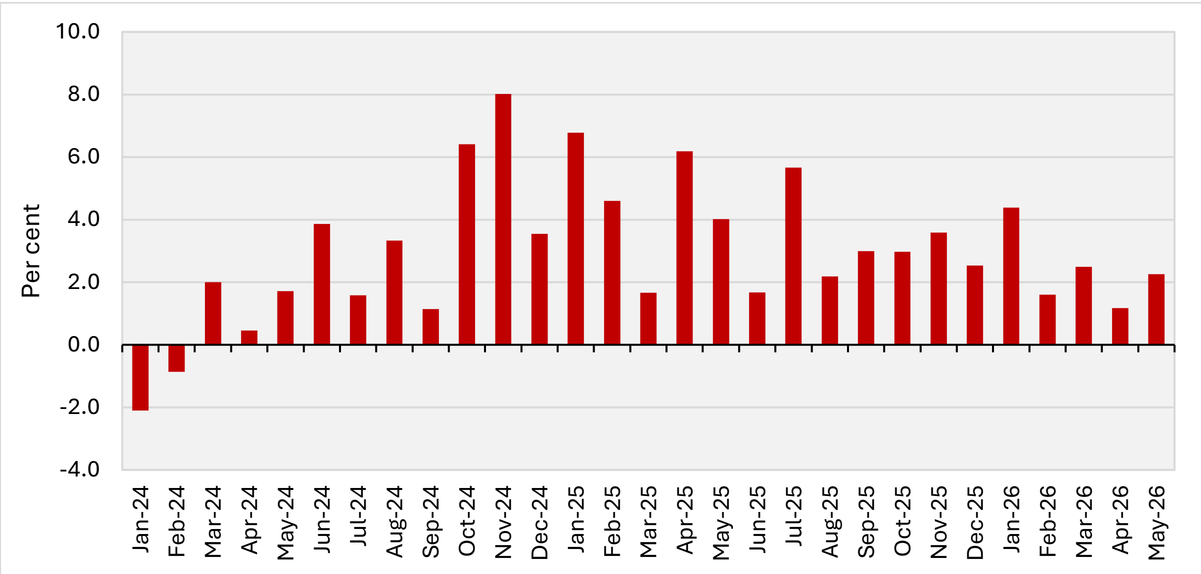
2.2. Retail Trade Performance

Retail trade sales increased by 2.3 per cent year-on-year in May 2026, although the pace of growth remained moderate. The increase suggests that consumer spending continued to expand despite ongoing pressure on household budgets and the cost of living. Retail activity remains an important indicator of domestic demand, providing insight into household spending patterns and the resilience of consumer activity across the economy.

The increase in retail sales was driven primarily by other retailers, which grew by 6.7 per cent and contributed 0.7 percentage points to overall growth. Retailers of textiles, clothing, footwear and leather goods also recorded growth of 3.7 per cent, contributing a further 0.7 percentage points, while general dealers increased by 1.0 per cent and contributed 0.4 percentage points. These gains contribute to continued demand across several retail categories, although growth remained uneven across the sector.

On a seasonally adjusted basis, retail trade sales increased by 0.1 per cent in May compared with April, following growth of 0.8 per cent in April and 0.1 per cent in March. Looking at the three-month performance, retail sales increased by 2.0 per cent in the three months to May compared with the same period in 2025. Seasonally adjusted sales also increased by 0.3 per cent compared with the preceding three-month period, suggesting that retail activity maintained a modest upward trend during the period.

Figure 5: Retail sales (year-on-year)



Source: Stats SA

The retail sector remains an important source of employment and is particularly relevant for youth labour market participation. Retail businesses provide entry-level opportunities in sales, customer service, merchandising, logistics, warehousing, distribution and digital commerce. Continued growth in retail activity could therefore support opportunities for young people to enter the labour market, particularly in areas where businesses can sustain demand and expand their operations.

The latest retail performance also presents opportunities for youth entrepreneurship. Growth among other retailers and retailers of textiles, clothing, footwear and leather goods may create opportunities for young people as suppliers, distributors, digital marketers, delivery-service providers and small retailers. The continued expansion of these activities also creates scope for youth-owned enterprises operating through e-commerce, township-based retail and other emerging distribution channels.

The May retail sales data present a cautiously positive picture of domestic consumer activity. While the pace of growth remains moderate, the continued increase in retail sales suggests that household demand has remained relatively resilient. Sustained improvements in consumer activity could support broader economic growth and create additional employment and entrepreneurship opportunities for young people, particularly in labour-intensive retail and related service activities.

2.3. New Vehicle Sales

South Africa's new vehicle market maintained strong growth in June 2026, with domestic sales reaching 54,482 units, an increase of 15.3 per cent year-on-year. This represented the strongest June sales performance since 2007, despite a more challenging economic environment characterised by higher fuel costs, rising inflation risks and tighter financial conditions. The resilience of domestic vehicle demand suggests that essential mobility needs, replacement demand and fleet renewal continued to support market activity.

The increase was broad-based across the major vehicle categories. Passenger vehicle sales increased by 18.1 per cent to 38,393 units, while light commercial vehicle sales, including bakkies and minibuses, increased by 8.4 per cent to 13,171 units. Medium commercial vehicle sales increased by 0.6 per cent, while heavy trucks and buses recorded stronger growth of 15.9 per cent. The performance of commercial vehicles is particularly relevant as demand for these vehicles is closely linked to freight movement, logistics, construction, mining and agricultural activity.

Domestic demand was also supported by stronger government procurement. Passenger vehicle purchases by government increased by 22.1 per cent, while government purchases of light commercial vehicles increased by 41.8 per cent compared with the corresponding period. At the same time, export performance remained weaker, with vehicle exports falling by 6.9 per cent year-on-year to 33,879 units. The divergence between strong domestic sales and weaker exports highlights the resilience of the local market, while also pointing to continued pressure on external demand and the automotive export environment.

The automotive sector remains strategically important to South Africa's manufacturing base, contributing 5.2 per cent of GDP and 23.8 per cent of manufacturing output. The industry's manufacturing segment employs approximately 113,000 people, while direct and multiplier effects sustain around 498,000 jobs across the formal economy. This makes developments in vehicle sales particularly relevant for employment, investment, manufacturing activity and opportunities across the wider automotive value chain.

The latest vehicle sales performance also presents opportunities for youth employment and enterprise development. Strong domestic demand can support opportunities in vehicle retail, component manufacturing, logistics, fleet management, vehicle maintenance, repairs, transport services and other automotive-related activities. Improving logistics performance could further strengthen demand for commercial vehicles and create opportunities for young people and youth-owned enterprises within freight, distribution and related support services.

The June vehicle sales data point to continued resilience in domestic economic activity, despite a challenging operating environment. Strong passenger and commercial vehicle demand supports the automotive value chain and associated employment opportunities, while weaker exports remain a concern for the sector's manufacturing and trade performance. Sustaining domestic demand, strengthening export competitiveness and improving participation across automotive value chains will be important for translating continued vehicle market growth into broader economic and employment opportunities for young people.

2.4. New Food and Beverages Sector Performance

The food and beverages sector showed a very weak performance in May 2026, with real income recording a 0.3 per cent year-on-year decrease, reflecting softer consumer demand across the industry. This represents a clear shift in momentum from earlier in the year, as growth eased from 5.7 per cent in January 2026 and 4.2 per cent in February, before moving into negative territory in April, with May marking the lowest negative level so far.

Takeaways and fast-food outlets increased by 2.2 per cent and were the main driver of growth in May 2026, contributing positively to overall income. In contrast, the income generated in restaurants and coffee shops reflects ongoing pressure on discretionary consumer spending and the uneven recovery in parts of the hospitality industry, as it recorded a decline of 1.7 per cent. Catering services also declined by 2.9 per cent year-on-year. This highlighted weaker demand in more formal and event-driven segments of the market.

Table 1: Change in food and beverages income at constant 2019 prices by type of enterprise (year-on-year)

Type of enterprise	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Restaurants and coffee shops	7.7	8.5	2.8	4.6	5.4	-0.9	-3.5	-1.7
Takeaway and fast-food outlets	8.8	4.2	6.4	9.1	4.1	5.8	0.0	2.2

Catering services	-0.6	3.1	-12.4	-0.5	0.2	2.5	-3.0	-2.9
Total	**7.0**	**6.1**	**2.5**	**5.7**	**4.2**	**2.2**	**-2.1**	**-0.3**

Source: Stats SA

This pattern indicates a steady loss of momentum over the period, suggesting increasing pressure on consumer-facing services amid constrained household finances and a challenging economic environment. This outcome may also have been influenced by higher fuel costs and broader input price pressures, which typically weigh on both transport-related food distribution costs and disposable income, thereby affecting overall spending patterns in the sector.

The continued growth of takeaway and fast-food outlets highlights opportunities for youth-owned enterprises in the food economy, and it remains more resilient due to its affordability and convenience. This presents opportunities that extend beyond food preparation and sales to include delivery services, digital ordering platforms, catering services, food production, event management, packaging, and supply chain activities. The sustained growth in these segments suggests that the broader food value chain remains a very important avenue for youth entrepreneurship and employment creation.

The overall weakening in performance may have been influenced by broader cost pressures in the economy, including rising inflation during the period, which tends to erode household disposable income and shift spending away from non-essential consumption. Higher living costs can therefore reduce the frequency and value of discretionary spending on food services, particularly affecting small and youth-owned enterprises that depend on consistent daily demand.

Despite these challenges, the food and beverages sector plays an important role in South Africa's economy as a significant source of employment, particularly for young people. Restaurants, fast-food outlets, coffee shops, catering companies, and related hospitality businesses often provide entry-level employment opportunities for youth in areas such as food preparation, customer service, administration, logistics, marketing, and business management. The sector also offers relatively low barriers to entry for entrepreneurship and small business development.

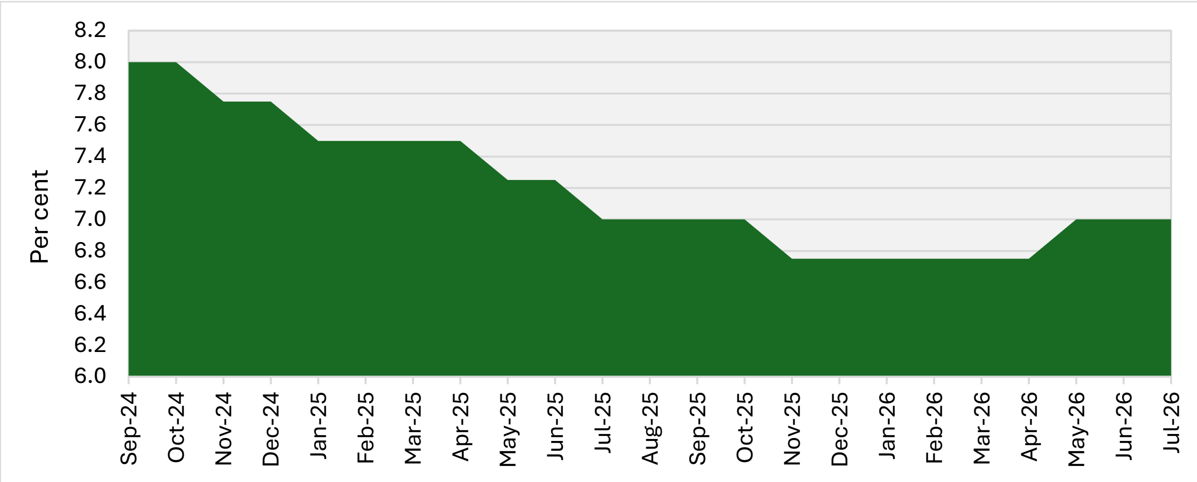
2.5. SARB's Interest Rate Decision

The South African Reserve Bank decided to keep the repo rate unchanged at 7.0 per cent in July 2026, reflecting a cautious approach in an increasingly uncertain global environment. This decision comes against the backdrop of a crisis in the Middle East, which has entered a new and volatile phase. Traffic through the Strait of Hormuz has picked up and then fallen again. Oil prices, which had declined to about 70 dollars a barrel earlier in July, have now rebounded to roughly 90 dollars.

Rising producer price inflation, elevated fuel costs, and a still-fragile growth outlook characterised the monetary policy environment entering July. The pause in the repo rate was announced against a deteriorating domestic price picture. Statistics South Africa reported headline inflation of 5.0 per cent in June, up from 4.4 per cent in May and the highest reading since

June 2024. While producer price inflation reached 7.8 per cent in May before easing marginally to 7.5 per cent in June, this acceleration was driven largely by fuel, energy, and commodity-related inputs, which continue to pose upside risks to the consumer inflation outlook, confirming that upstream cost pressures are still working their way through domestic value chains. Against this backdrop, the SARB is likely to remain vigilant in guarding against second-round inflation effects, particularly any spillover into wage settlements and inflation expectations.

Figure 6: Repurchase (repo) rate set by the SARB



Source: SARB

SARB continued to signal a data-dependent approach, indicating that future decisions would depend on inflation trends, global oil prices, and exchange rate movements. In addition, SARB will continue to monitor developments closely. The decision to keep interest rates unchanged reflects a delicate balance. On the one hand, stable interest rates help to avoid further pressure on households and businesses, particularly young entrepreneurs who rely on credit to start or expand businesses. On the other hand, the expectation that rates may remain higher for longer, or even rise if inflation increases further, suggests borrowing conditions will remain tight. The impact on young people is significant. Higher fuel and transport costs will increase the cost of living and the cost of doing business. At the same time, weaker economic growth reduces job creation and limits opportunities for youth employment. This combination of rising costs and limited opportunities creates a more challenging environment for youth economic participation.

Overall, strengthening support for youth-owned enterprises, facilitating access to markets and productive assets, and leveraging partnerships that can expand economic opportunities for young people in a more constrained economic environment is very important. For the Agency, this reinforces the need to support young people in navigating a high-cost, low-growth environment, while ensuring that programmes are responsive to changing economic conditions.

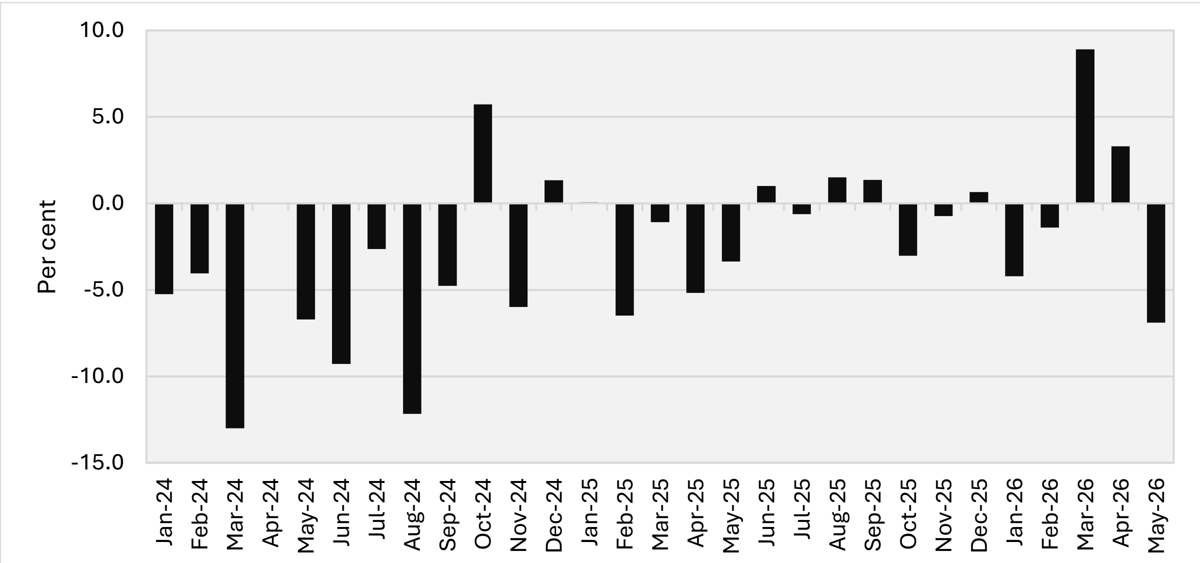
3. Trade and Business: Implications for Young People

3.1. Wholesale Trade Sales

Wholesale trade sales, an important indicator of demand across supply chains and business activity, declined sharply in May 2026, reversing the growth recorded over the preceding two months. Measured in real terms, wholesale trade sales decreased by 6.9 per cent year-on-year, following increases of 3.3 per cent in April 2026 and 8.9 per cent in March 2026. The seasonally adjusted sales declined by 7.4 per cent year-on-year in May 2026. This represents the weakest annual performance since January 2026 and points to a marked deterioration in trading conditions across the sector.

In nominal terms, wholesale trade sales increased by 4.0 per cent year-on-year in May 2026 compared with May 2025, although this represented a significant slowdown from growth of 10.9 per cent in April and 10.0 per cent in March. The main positive contributor was dealers in solid, liquid and gaseous fuels and related products, which grew by 24.2 per cent and contributed 5.6 percentage points to overall growth. The main negative contributor was dealers in agricultural raw materials and livestock, which decreased by 14.3 per cent and contributed -1.0 percentage point. Notable weakness was also evident in precious stones, jewellery and silverware (-21.7 per cent) and fee- or contract-basis trade (-16.8 per cent), while food, beverages and tobacco wholesalers also contracted by 3.3 per cent, a reversal from the growth recorded in the preceding months. Machinery, equipment and supplies sales fell by 0.5 per cent, suggesting that the investment-related momentum seen earlier in the year may be losing steam.

Figure 7: Wholesale Trade Sales (year-on-year)



Source: Stats SA

The sharp reversal in real wholesale trade sales is a concerning signal for business activity and, by extension, for youth employment and enterprise opportunities linked to supply chains. Wholesalers play an important intermediary role in moving goods from producers to retailers and end users, and weaker sales volumes may point to softer downstream demand, reduced inventory building, and more cautious purchasing behaviour among businesses. For youth-owned enterprises operating in logistics, distribution, warehousing, and related support services, a slowdown in wholesale activity could translate into fewer opportunities in the near term, even as nominal sales values remain supported by higher fuel prices.

The contraction in sales volumes has direct implications for young people and youth-owned enterprises. Much of the youth participation in wholesale value chains occurs in activities linked to the quantity of goods moved rather than their value, including warehousing, packaging, delivery and last-mile logistics, loading, procurement support and equipment maintenance. Where turnover rises, but volumes fall, fewer trips, working hours and casual shifts are required, meaning the effect on youth earnings may be felt before it becomes visible in formal employment data.

Overall, the May 2026 results indicate a contraction in real wholesale trade activity, despite continued growth in nominal sales, suggesting that price effects remain a key driver of the sector's performance. A notable shift from the encouraging momentum recorded in March and April, the scale of the monthly decline together with the divergence between real and nominal sales, suggests that the earlier recovery in wholesale trade may be losing traction.

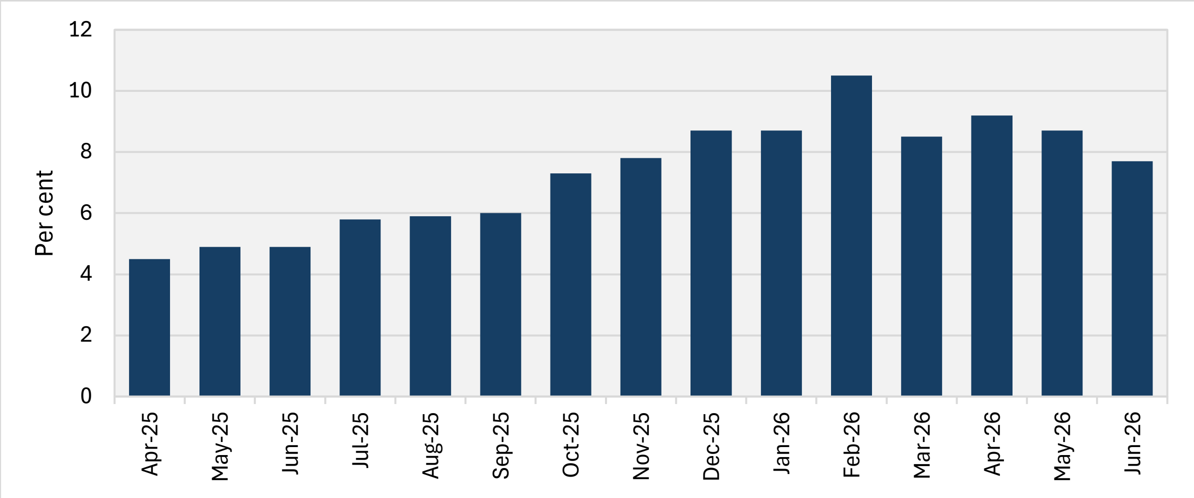
This reinforces the importance of working capital and inventory finance support, alongside interventions that help youth enterprises manage fuel, transport and logistics costs. In addition, closely monitor supply-chain and business-activity indicators in the months ahead, as a sustained slowdown in wholesale trade could signal weaker conditions for youth participation in retail, logistics, and distribution value chains.

3.2. Private Sector Credit Extension

Private Sector Credit Extension (PSCE), which measures the amount of credit provided by banks and other financial institutions to households and businesses, showed an increased 7.7 per cent year-on-year in June 2026, which eased from 8.7 per cent in May 2026, suggesting a rise in the previous month and marking the softest growth since November last year. This represents the slowest pace of credit expansion in several months and marks a cumulative deceleration of 2.7 percentage points from the 10.1 per cent recorded in February 2026. While credit growth remains comfortably above inflation (i.e 5.0 per cent), this slowdown indicates tighter financial conditions and a more cautious borrowing environment that are beginning to weigh on both households and businesses.

Total loans and advances slowed down to 7.3 per cent year-on-year in June 2026 from 8.3 per cent year-on-year in May 2026, still reflecting sustained demand for credit to support business operations and household expenditure. Broad money supply (M3) eased from 9.6 per cent year-on-year in May 2026 to 9.3 per cent year-on-year in June 2026, maintaining strong growth and signalling that liquidity within the financial system remained supportive of lending activity. Claims in the domestic private sector exceeded R5.3 trillion, further highlighting the sustained access to credit by businesses and households.

Figure 8: Private sector credit extension (year-on-year)



Source: SARB

The deceleration in credit growth since then indicates that the surge earlier in the year, partly inflated by volatility in the bills and investments category, is now normalising as base effects fade and borrowing costs bite. Moreover, this also suggests that while borrowing by households and businesses remains elevated, the pace of credit expansion is beginning to moderate.

Higher borrowing costs and a more uncertain economic environment appear to be dampening appetite for credit across the economy. Businesses that borrowed aggressively earlier in the year to fund inventory building, working capital, and investment activity may now be more cautious given softer demand conditions and rising input costs. At the same time, households continue to face pressure on disposable income from higher fuel, electricity, and food-related expenses.

For young people and youth-owned enterprises, the continued moderation in credit growth is a cautionary signal. Slower credit extension typically points to reduced appetite for expansion, hiring, and new investment among businesses, which can limit the emergence of new job opportunities and constrain access to finance for youth entrepreneurs seeking to start or grow enterprises. At the same time, a still-elevated repo rate keeps borrowing more expensive for young people seeking finance for education, housing, vehicles, or business start-up capital.

The credit data emphasises the importance of the Agency's role in facilitating access to funding outside of conventional bank credit channels. As commercial lending conditions tighten in response to persistent inflation and monetary policy caution, partnerships with Development Finance Institutions, provincial youth funds, and private investment platforms become increasingly important in ensuring that young entrepreneurs are not shut out of financing opportunities during a period of more restrictive credit conditions.

Overall, in an economy where credit conditions are cooling from an unusually strong start to the year, against a backdrop of rising inflation and a central bank still weighing further tightening. For the Agency, this signals a need to closely monitor how slower credit growth feeds through to business investment and youth employment prospects over the coming months, particularly if the SARB is compelled to raise rates further in response to persistent inflationary pressure

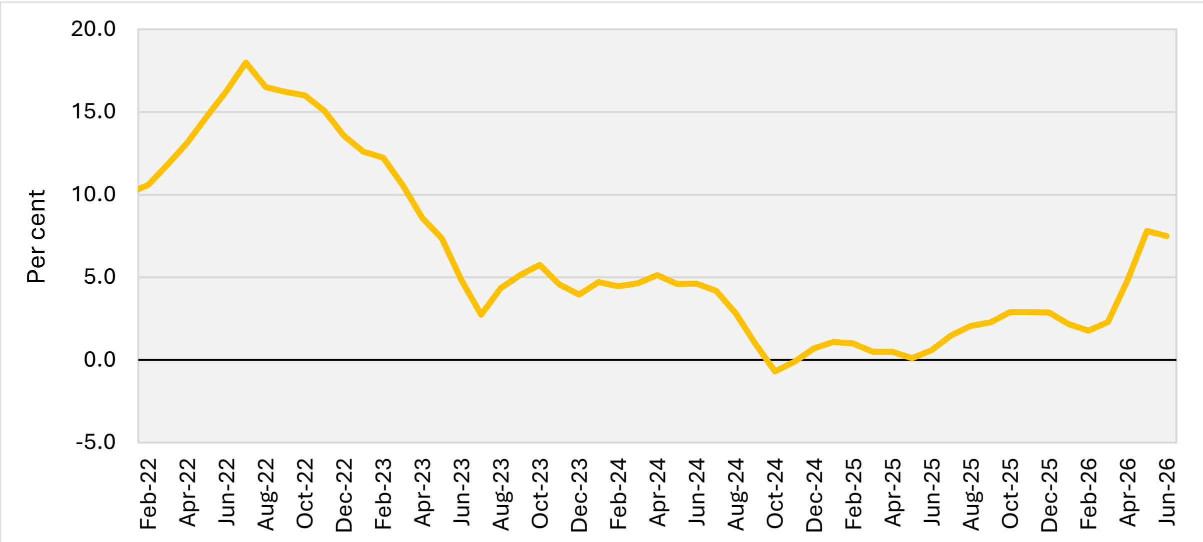
3.3. Producer Price Inflation

Annual producer price inflation eased to 7.5 per cent in June 2026, up from 7.8 per cent in May 2026, reflecting a first signal that the sharp build-up in upstream cost pressures recorded in previous months may be stabilising. On a monthly basis, producer prices declined by 0.1 per cent, a reversal from the strong monthly increases recorded in April and May.

The headline rate continued to be driven primarily by coke, petroleum, chemical, rubber and plastic products, which increased by 22.0 per cent year-on-year and contributed 4.7 percentage points to the annual rate. Paper and printed products rose by 8.5 per cent (0.7 of a percentage point), and metals, machinery, equipment and computing equipment increased by 3.2 per cent (0.5 of a percentage point).

On a month-on-month basis, however, the picture shifted with pressure from coke, petroleum, chemical, rubber and plastic products actually declining by 0.3 per cent, food products, beverages and tobacco fell by 0.2 per cent, and furniture and other manufacturing dropped by 2.5 per cent, together pulling the monthly headline rate into negative territory. These developments suggest that cost pressures are becoming more widespread across the economy and are no longer confined to energy-related products.

Figure 9: Producer price index for final manufactured goods (year-on-year)



Source: Stats SA

This presents a mixed but marginally more favourable operating environment. The moderation in fuel, chemical, plastic, metals and agricultural input prices should provide some relief to businesses in manufacturing, transport, logistics, construction and food services, where margins have been compressed by successive months of rising input costs.

The producer price data suggest that inflationary pressure on the production side of the economy is beginning to ease. If the moderation is sustained, it could reduce the risk of a pass-through to consumer prices later in the year and support a more stable environment for business planning, pricing and hiring. Overall, it is to prioritise support that strengthens the cost resilience of youth-owned enterprises, including energy efficiency and alternative energy solutions, bulk purchasing and supplier negotiation support, and business development services that improve productivity and margin management. A sustained focus in these areas will help young entrepreneurs benefit from easing input costs while managing the ongoing burden of administered price increases.

4. Conclusion

The high-frequency economic data released during June 2026 presents a mixed picture of the South African economy. While several indicators continue to show resilience, including retail activity, new vehicle sales and parts of the mining and manufacturing sectors, the broader recovery remains uneven. The contraction in manufacturing activity, weaker new orders and continued pressure on employment suggest that improvements in economic activity have yet to translate into a broad-based recovery. At the same time, renewed volatility in global energy markets and persistent cost pressures continue to create uncertainty for households and businesses.

Inflation and monetary policy also remain important considerations for the economic outlook. While some input-cost pressures have eased, particularly following lower oil prices earlier in the month, renewed geopolitical uncertainty and the subsequent recovery in oil prices present risks to fuel, transport and operating costs. The decision by the South African Reserve Bank to maintain the repo rate at 7.0 per cent demonstrates the need to balance inflation risks with the need to support economic activity. These conditions continue to influence household purchasing power, business costs and access to finance.

For the Agency, the findings reinforce the importance of moving beyond short-term employment and enterprise interventions towards strategic support for sectors with strong employment and value-chain potential. This includes strengthening youth participation in productive industries, supporting youth-owned enterprises, improving access to finance and markets, and building partnerships that connect young people to opportunities across manufacturing, retail, mining, automotive, logistics and other growing sectors. Continued attention should also be given to identifying sectors that are more labour-absorbing and capable of generating sustainable economic opportunities.

Overall, the June 2026 data indicate that South Africa's economy continues to show pockets of resilience, but the recovery remains fragile and uneven. Weak employment growth, high youth unemployment, cost-of-living pressures and global economic uncertainty continue to constrain the extent to which improvements in economic activity translate into better livelihoods. Sustained progress will require a stronger focus on productive investment, employment-intensive growth, enterprise development and inclusive participation to ensure that the economic recovery translates into meaningful and sustainable opportunities for South Africa's youth.